

**REPORT**  
**ON THE**  
**GROWTH OF DEVELOPMENT EXPENDITURE**  
**IN**  
**KARNATAKA STATE**

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## PREFACE

Though it is generally known that the pace of Development Expenditure in our State—as in all other States—has grown considerably over the past, nearly 20 years, necessary statistical details are not always readily available to appreciate such a claim. Relevant details such as the composition of the total disbursements of our State, the relative share and trends in the growth of Development Expenditure, non-development expenditure, public debt discharged, loans and advances have not been analysed and compiled at one place to be of ready use. For instance, it will be interesting to note that the total disbursements for our State which stood at Rs. 80.85 crores in 1957-58 have risen to Rs. 389.31 crores in 1971-72. During the same period, the Development Expenditure which constitutes the major component of the disbursements rose by more than 100 per cent, from Rs. 52.06 crores in 1957-58 to Rs. 220.65 crores in 1971-72. However, expressed as a percentage of total disbursements, the share of Development Expenditure has shown a decline from 64.39 per cent to 56.68 per cent between 1957-58 and 1971-72. This would only show that other items like non development expenditure, public debt discharged, loans and advances have also been increasing quite fast, contributing to 43.32 per cent of the total disbursements in 1971-72.

It is similarly interesting to note that the per capita total disbursements in our State have risen from Rs. 36.50 in 1957-58 to Rs. 136.59 by 1971-72. Likewise, it is not always appreciated that despite the impressive increase in Development Expenditure, the share of the Plan Expenditure therein is on an average only about 37 per cent the remaining 63 per cent going for non-plan purposes. Similar facts regarding the share of revenue and capital expenditure out of the total expenditure are quite revealing.

(ii)

This report seeks to analyse and highlight such information about the total disbursements of our St it is hoped that this information would be of con use to the planners.

Shri V. B. Deshpande, Deputy Director was in of this study.

Bangalore,

6-7-1973.

S. VENKAT

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# **GROWTH OF DEVELOPMENT EXPENDITURE IN KARNATAKA STATE**

## **Chapter I**

### **INTRODUCTION**

The concept of the State and its Government has undergone various changes in recent years. In the very early days, it existed for the purpose of protecting the community against hostile neighbours (or external hostilities). The functions of the State and its Government were primarily confined to be only that of maintenance of law and order. This concept as well as its function gradually changed in the course of years with a gradual change in man's outlook and ideas, culminating in the idea of a welfare State with the objectives of maximising the welfare of the community.

1.2. After independence, India directed its attention towards economic planning with a view to achieving the economic betterment of her people. The Government in its attempt to accelerate the economic development is committed to various programmes. In this task of economic development, the constituent States as Federal units of the Indian Union, have very heavy and varied responsibilities to shoulder as provided for in the constitution. In other words, every constituent State of the Indian Union, has to participate fully and actively in all the programmes that help to achieve the objectives of Social, economic and political justice as included in the preamble of the constitution.

1.3. In the process of rapid economic development, the State, as federal units of the Indian Union, have to play a very important role. In fact, they are made equal partners with the Union Government. Vital matters like

economic and social planning, social security, employment and price control have all been included in the concurrent list of both the Union and State Governments. It is true that there are no constitutional sanctions for the economic planning in India, but the Union Government and the State Governments co-operate, co-ordinate, discuss together and decide the forms, methods and details of planned development through the institution of the National Development Council and the Planning Commission. The State Government participates in the formation of economic objective for the country as a whole through these institutions. Each State is required, among other things, 'to contribute its best towards increasing Agricultural production to secure largest measure of increase in income and employment feasible and to raise the levels of living for the less developed area' (FYP III GOI).

1.4. In order to play the pivotal role assigned to them in the economic development, the State Governments have to raise adequate funds and incur expenditure. Till about the first quarter of this century, public expenditure was more or less relegated to the background, in view of the fact that the Government was treated as an institution virtually concerned with the maintenance of Law and Order and not with the developmental services. After the independence, the era of planning set the pace to the concept of developmental services.

1.5. For playing this important role in the economic development of the Country, the States are required to raise their budget by necessary resources by way of taxes, union grants and public debts in such a manner that the net effect of the transfer of resources in the hands of State Governments and expenditure of State Governments should be to create an atmosphere by which private investment and wide spread industrialisation will be encouraged. Large investment opportunities are to be created in this process. Among other factors the private enterprise fights shy of investment primarily on account of the lack of



huge capital and secondarily on account of the long gestation period involved. Government alone has to find the required finances for executing projects with large financial outlays. Eventually, the investment expenditure of the Government tends to increase considerably. The finances of the State Government become instrumental in fulfilling the responsibilities devolving on the States.

1.6. It is evident from the experience gathered from various developed and developing countries that Government expenditure tends to increase rapidly with expanding industrialisation and urbanisation. The well known law of Adolph Wagner states that 'public activities grow faster than private activities'. This statement is further confirmed by the statement of John R. Common that "Government must have revenues in increasing amounts, not because they are corrupt and inefficient, which can be remedied, but because the social needs of education, ethics, morality, art, liberty, protection of the weak, highways, health, recreation grow faster in an improving civilization than do private needs of good, luxury, ostentation."<sup>1</sup>

1.7. The extent to which the States have actually discharged the functions cast on them in the process of economic development and contributed to the maximisation of social welfare, which India has accepted as a doctrine, is indicated by the growth of development expenditure. It is in this context that the study on the growth of development expenditure in Karnataka State becomes significant. It was, therefore, considered necessary to undertake a short study with the objectives mentioned below :

#### *Objectives of the study.*

The objectives of the study are :—

(i) to analyse and discuss the structure and composition of the development expenditure ; and

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1. John R. Common—"Institutional Economics"—page 831.

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(ii) to study the trend of its growth over plan periods.

*Scope of the Study.—*

1.8. The study is devoted to cover the fifteen years period after the new State of Karnataka came into existence. As such, the study is limited to a period after the reorganisation of States. Figures prior to the reorganisation of States, namely, '56-57 are not available, for direct comparison with those after 1956-57. On account of this limitation, attempts have not been made to compile, compare and analyse the pattern of growth of development expenditure prior to the reorganisation of States.

1.9. The study being only a short review is different from the usual evaluation reports, in as much as it does not relate to any specific programme of development. Attempts have therefore been made only to present by quick analysis of the available data from Budget papers the pattern of growth of development expenditure obtaining in the State over the period of 15 years (1957-58 to 1971-72) chosen for the study.

1.10. In view of the limited scope of the study, attempts have also not been made to apply intricate theories and sophisticated techniques of public finance while analysing the compiled data. Therefore, the scope of the study greatly limits attempts in making specific recommendations. However, attempts have been made to make general observations, wherever found applicable, within the sphere of the limitation of the scope of the study.

*Methodology.—*

1.11. The materials required for this study were collected largely from the budget volumes of the relevant years and the budget papers connected with the same. In

addition, the materials available in the following related publications have also been made use of :

1. Publication of the finance Research Section of the Finance Department released by the Bureau of Economics and Statistics.
2. Financial Accounts of the State released by the Comptroller and Auditor General of India.
3. Monthly Bulletin of the Reserve Bank of India.
4. Publications of the Bureau of Economics and Statistics.
5. Five Year Plan volumes.

## CHAPTER II

### TRENDS IN GOVERNMENT EXPENDITURE

2.1.1. In Order to appreciate and understand fully the contents of the discussions and analysis of the factual data presented in the subsequent chapters of this study report, it is necessary to give a brief idea of the structure of the State Government Budget.

2.1.2. The budget of State Government is drawn up on the basis of actual cash receipts and expenditure for each year beginning from 1st April. It is divided into three parts.

- (i) The consolidated fund, expenditure out of which should be either charged or voted by the Legislature ;
- (ii) Contingency fund to meet the expenditure on schemes, funds for which have not been voted by the legislature, till such time as the funds are voted ; and
- (iii) The public Account which includes all other transactions of the Government of various kinds.

2.1.3. The consolidated fund has three divisions. The first division deals with the proceeds of taxation and other receipts classed as revenue and the expenditure met therefrom, the net result of which represents the revenue surplus or deficit for the year. The second division deals with expenditure met usually from borrowed funds with the object either of increasing concrete assets of a material character or of reducing recurring liabilities such as those from future pensions by payments of the capitalized value. It also includes receipts of a capital nature intended to be applied as to set-off to capital expenditure. The third division comprises loans raised by Government, loans of purely temporary nature classed as floating debt (such as treasury Bills and ways and means advances), as well as "Permanent Debt" and 'Loans and advances made by Government' together with payments of the former and recoveries of the latter. The public account has two divisions, (1) Debt and deposits and (2) Remittances. The first division comprises receipts and payments other than those falling under debt heads pertaining to consolidated fund in respect of which Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid together with repayments of the former and recoveries of the latter. Transactions of various funds like the sinking fund, depreciation reserve funds, local bodies and quasi-Government bodies and the State Provident Fund balances, all figure in this division. The second division embraces merely adjusting heads.

2.1.4. The combined effect of the transactions in the consolidated fund, the contingency fund and the public account produces the over-all budgetary position indicating the surplus or deficit thereof.

2.1.5. Now, it is necessary to cover with the meaning, functions and the structure of the State Government Budget. The budget of a Government embodies those of its programmes and schemes that are to be executed during the financial year. The process of budgeting is essentially

a judgment-making process, involving a series of value judgments at every stage. The budgets so prepared have two purposes. One is to serve as the major tool of executive management and legislative control and the other is to reveal information significant to economic analysis and at the same time provide the framework for a policy of stability and development. The structure of the Budget, is however, influenced not only by the objectives but also by the institutional background and the future requirements of Government. With the active intervention of the Government in the economic affairs of the country, budgetary operations have ceased to be mere accounting procedures but have become major instruments of policy

2.1.6. However, an attempt is made to present in brief the anatomy of the State Government Budget, which it is hoped would help in understanding the discussions set forth in the subsequent chapters.

Please see Page 9

*Anatomy of the State Government Budget*  
(A diagrammatic presentation)

2.2. *Classification of Government Expenditure :*

2.2.1. It is seen from the earlier paragraphs that the budget of the State Government consists, *inter-alia*, of a revenue account as well as a capital account comprised wherein all capital expenditure outside revenue account and loans. This division of the budget into revenue, capital and loans, is itself one form of classification of Government expenditure.

2.2.2. A second form of classification of Government expenditure into "Development" and "Non-Development" could be conceived of with a view to studying the extent to which the growing Government expenditure has been employed for productive purposes, either in the form of

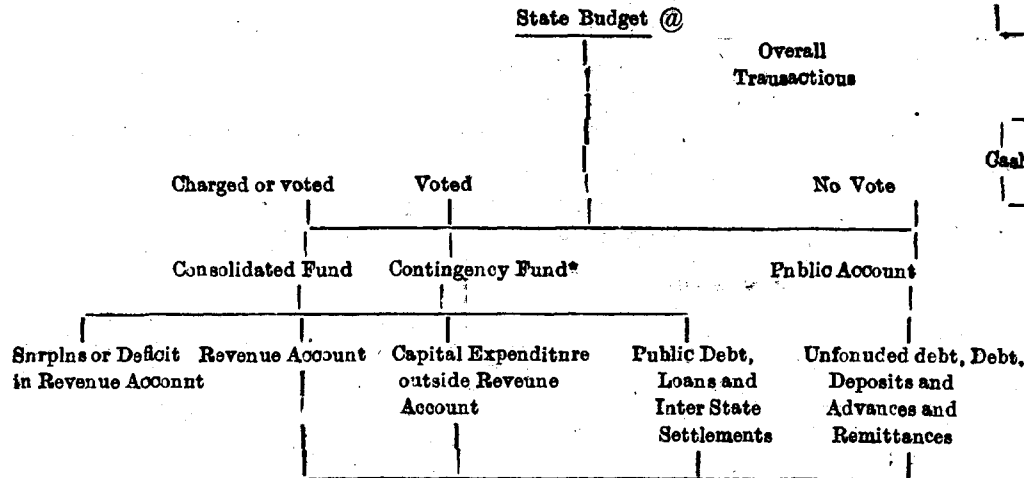
creation of physical assets or development of human capital. This is a very broad classification, as the development expenditure comprises expenditure on all items like Agriculture, Animal Husbandry, Education, Public Health, Medical, etc., while non-development expenditure includes expenditure on items like administrative services collection of taxes and duties, debt services, etc.

2.2.3. Yet another classification as 'Plan' and 'non-Plan' expenditure is possible. In this context, a brief account of the concept of a plan outlay is considered essential. A plan is a programme of action, which ultimately boils down to a list of schemes on which expenditure has to be incurred from various sections of the budget, *via*, revenue, capital and loans. Obviously, the concept of a plan outlay differs only to the extent that it does not exactly fit into the normal divisions of the budget. The expenditure proposed and incurred on a plan scheme cannot also be straightway surmised from the budget, on account of the fact that these expenditures will have been shown in the different sectors of the budget.

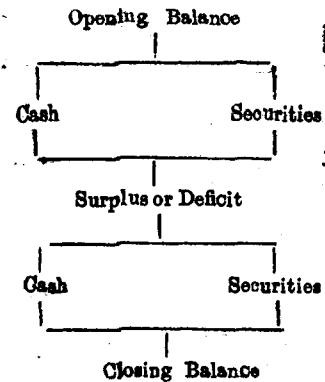
2.2.4. When viewed at from a different angle, a plan outlay can be considered to be a part of the total budget of a State Government. In other words, the Plan outlay comprises outlay on schemes listed as part of the plan of the State. Expenditure on all such development programmes not listed under plan would be treated as non-plan expenditure or development expenditure outside the plan of the State.

2.2.5. It will thus be seen that there are various classifications of Government expenditure; first, as revenue, capital and loans, secondly as development and non-development and thirdly as plan and non-plan expenditure. An attempt has been made to illustrate the classification of expenditure in a diagram at Page 10 we are however mainly concerned in this study with the classification, development expenditure.

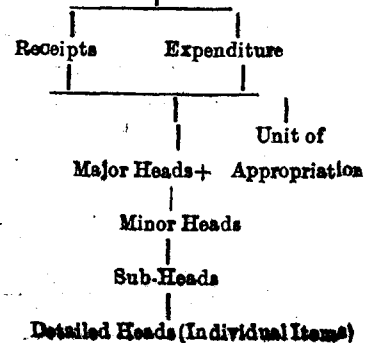
(A diagrammatic presentation)



Overall Transactions

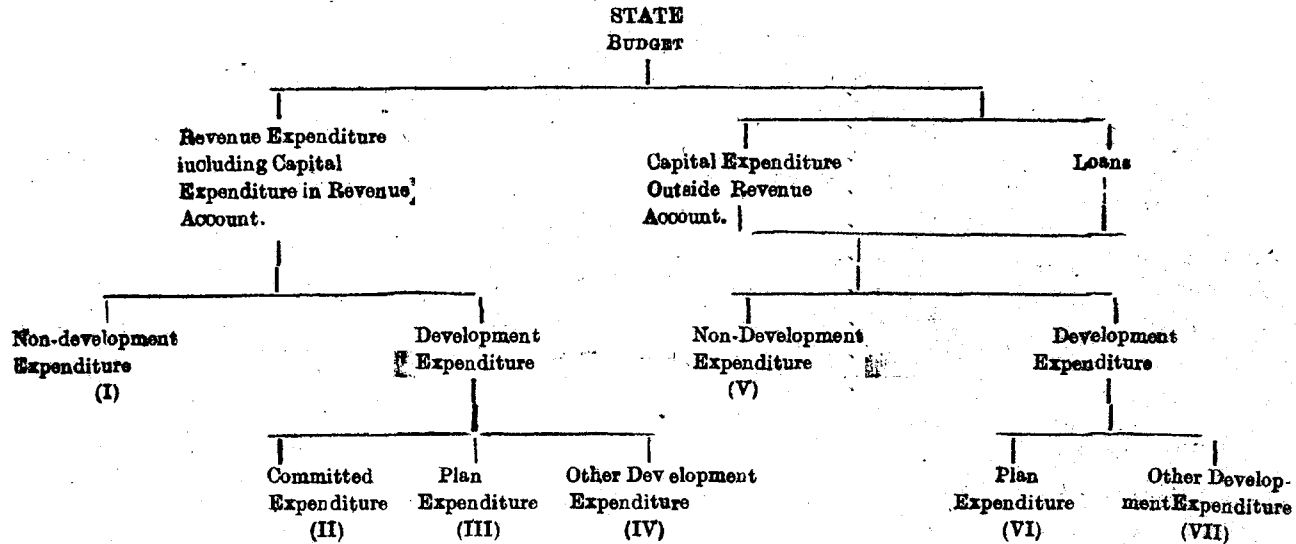


**@** — Cash account. Financial Year from 1st April.  
 \* Meant for meeting expenditure on New Services, funds for which have not been voted by the legislature, till such time as vote is obtained.  
 + For Revenue and Capital Accounts, Major heads are numbered in Roman numerals, for receipts and International numerals for expenditure.



# CLASSIFICATION OF EXPENDITURE

(A Diagramatic Presentation)



- (a) I+II+III+IV+V+VI+VII ... Total Expenditure
- (b) II+III+IV+VI+VII ... Development Expenditure
- (c) III+VI ... Plan Expenditure



### 2.3. *Concept of Development Expenditure :*

2.3.1. What constitutes the developmental expenditures, is dependent on the type of development schemes included in the plan of any State. These expenditures, as interpreted in normal practice in India comprise (a) new development schemes on capital account, (b) new development schemes on revenue account, and (c) expenditure on schemes which are in the nature of extensions or additions to the existing institutions. The expenditure on the maintenance of new institutions which have come up as a result of these initial developmental expenditures, is called 'Committed expenditure'. It is necessary to realize the distinction between 'Committed expenditure' and 'development expenditure'. The latter is expenditure that is incurred for the specific purpose of creating new assets which were not existing in any form heretofore. Committed expenditure represents that expenditure which is incurred on the normal maintenance of an institution as an institution. The objective of the former is to create, and the latter is to maintain.

2.3.2. The development expenditure comprises expenditure both Revenue and Capital on all items, such as, Agriculture, Animal Husbandry, Co-operation, Rural Development, Irrigation, Electricity schemes, education, medical, public health and so on.

### 2.4. *Total disbursement—Trends and composition of :*

2.4.1. The total disbursement is composed of total expenditure which includes both Revenue and Capital expenditure, Public debt discharged, loans and advances by State Government. A glance at the Table No. 1 brings home that the total disbursement which was of the order of Rs. 80.85 crores at current prices during 1957-58 increased more than four and a half times to Rs. 389.31 crores (at current prices) during 1971-72. During the year 1957-58 the total expenditure (revenue and capital accounts combined) was Rs. 69.91 crores (at current prices) or 86.46

TABLE No. 1

## Composition of Total Disbursement (Revenue and Capital Account) in Karnataka

(CURRENT PRICES)

(Rs. in lakhs)

Items	II Plan				III Plan			
	A	O	O	O	U	N	T	S
	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65
1. Development Expenditure.	(64.39) 5,206.05	(68.74) 5,905.17	(68.07) 6,714.92	(70.05) 9,472.40	(66.83) 10,094.81	(66.73) 9,772.43	(62.41) 10,065.27	(59.87) 16,068.43
2. Non-development expenditure.	(22.07) 1,784.72	(20.29) 1,743.53	(19.13) 1,897.32	(18.94) 2,560.89	(18.40) 2,779.56	(19.09) 2,796.55	(19.78) 3,165.80	(21.68) 3,641.47
Total Expenditure	(86.46) 6,990.77	(89.03) 7,648.70	(87.20) 8,602.24	(88.99) 12,033.29	(85.23) 12,874.37	(85.82) 12,568.98	(82.19) 13,281.07	(81.55) 19,719.90
3. Public Debt discharged.	(8.24) 686.11	(3.58) 307.40	(5.11) 503.92	(3.69) 498.81	(8.76) 1,322.83	(6.20) 907.93	(10.45) 1,688.79	(6.57) 1,103.50
4. Loans and advances by State Government.	(5.30) 428.28	(7.39) 635.01	(7.69) 758.21	(7.32) 989.48	(6.01) 907.31	(7.98) 1,168.94	(7.36) 1,188.55	(11.88) 1,966.04
5. Total disbursements	(100.00) 8,085.14	(100.00) 8,591.11	(100.00) 9,864.37	(100.00) 13,521.58	(100.00) 15,104.51	(100.00) 14,845.85	(100.00) 16,158.41	(100.00) 18,799.44

(Figures in bracket indicate percentage to total disbursement)

(Rs. in lakhs)

Items	R.E.					B.E.	
	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72
1. Development Expenditure.	(56.06) 11,621.23	(54.49) 12,990.91	(57.08) 14,461.32	(54.61) 19,061.17	(53.70) 19,668.84	(56.88) 21,131.63	(56.88) 22,065.50
2. Non-development expenditure.	(20.68) 4,286.77	(25.07) 5,977.77	(20.33) 5,150.21	(23.10) 8,061.46	(20.70) 7,581.55	(23.71) 8,816.60	(23.64) 9,203.72
Total Expenditure	(76.74) 15,908.00	(79.56) 18,968.68	(77.41) 19,611.53	(77.71) 27,122.63	(74.40) 27,250.39	(80.54) 29,948.29	(80.32) 31,269.22
3. Public Debt discharge.	(11.12) 2,304.74	(11.26) 2,685.48	(9.92) 2,512.46	(11.79) 4,115.24	(15.00) 5,492.55	(13.98) 5,199.39	(13.63) 5,305.26
4. Loans and advances by State Government.	(12.14) 2,517.17	(9.18) 2,188.44	(12.67) 3,210.76	(10.50) 3,663.61	(10.60) 3,883.21	(5.48) 2,036.77	(6.05) 2,357.44
Total disbursements	(100.00) 20,729.91	(100.00) 23,842.60	(100.00) 25,334.75	(100.00) 34,901.48	(100.00) 36,626.15	(100.00) 37,184.45	(100.00) 38,931.92

percent of the total disbursement. This figure rose by nearly four and a half times to Rs. 80.32 crores or 80.32 per cent of total disbursement during the year 1971-72.

2.4.2. Table No. 1 also reveals an increase in the total expenditure from Rs. 69.91 crores in 1957-58 to Rs. 312.69 crores in 1971-72. During the period under report the total expenditure consisting of Revenue and Capital accounts which constituted Rs. 86.46 per cent of total disbursement with an actual expenditure of Rs. 69.91 crores in 1957-58 decreased to Rs. 80.32 per cent with an actual expenditure of Rs. 312.69 crores in 1971-72. The fluctuations in the total Expenditure over the 15 years period, is characterised by a proportionate increase and decrease in the development and non-development expenditure on both Revenue and capital accounts.

2.4.3. The average percentage composition of total disbursement during the successive plan periods is presented in the table No. 2.

TABLE No. 2

## Average Percentage Composition of Total Disbursement in Karnataka

Item	Second Plan (1957-58 to 1960-61)	Third Plan (1961-62 to 1965-66)	Average over 15 years, from 1957-58 to 1971-72
<b>Expenditure both Revenue and Capital account—</b>			
Development .. .. .	67.82	62.38	61.12
Non-Development .. .. .	20.10	19.02	21.10
<b>Total .. .. .</b>	<b>87.92</b>	<b>82.80</b>	<b>82.22</b>
Public Debt discharged .. .. .	8.18	8.62	9.26
Loans and Advances by State Government .. .. .	6.98	9.08	8.52
<b>Total Disbursement .. .. .</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

A glance at the table also shows that, on an average, out of the total disbursement the share of the expenditure on both revenue and capital account is as much as 82.22 per cent, consisting of 61.12 per cent on development expenditure and 21.10 per cent on non-development expenditure. The balance of 17.78 per cent is shared by public debt discharged and loans and advances by State Government at an average rate of 9.26 per cent and 8.52 per cent respectively. It is also evident from the table that there has been decline in the average percentage contribution to the total disbursement, in respect of development expenditure from 67.82 per cent in the second plan to 62.38 per cent in the Third Plan. A similar decrease is also revealed in the average percentage contribution of non-development expenditure total disbursement from 20.10 per cent in the second plan to 19.92 per cent in the third plan.

### *2.5. Total Expenditure—Trends in Growth and Composition :*

2.5.1. It was indicated in the earlier paragraphs that on an average, four fifths of the total disbursement of the State is shared by the total expenditure on both Revenue and Capital accounts.

2.5.2. A study of the table No. 3 indicates the fact that the total expenditure of the State has increased as much as four and a half times from Rs. 69.91 crores in 1957-58 to Rs. 312.69 crores in 1971-72 at current prices.

2.5.3. This increase in the total expenditure of the State is characterised by the increase in the revenue expenditure on one side and the increase in the non-development expenditure on the other side. During the year 1957-58, as much as 75.97 per cent or Rs. 53.11 crores was contributed by the revenue expenditure which increased to 87.56 per cent or Rs. 273.79 crores during 1971-72 in the course of 15 years period. The revenue expenditure in absolute terms has increased five fold over the aforesaid

TABLE No. 3

Growth of total expenditure in the (Current Prices)

(Rs. in lakhs)

Year (Accounts)	Revenue Accounts	Capital Account.	Total expenditure	Development expenditure	Non- Development expenditure
1	2	3	4	5	6
<b>Second Plan</b>					
1957-58	5,310.89 (75.97)	1,679.88 (24.03)	6,990.77 (100.00)	5,206.06 (74.47)	1,784.72 (25.53)
1958-59	5,898.09 (77.11)	1,750.61 (22.89)	7,648.70 (100.00)	5,905.17 (77.20)	1,743.53 (22.80)
1959-60	6,697.10 (77.85)	1,905.14 (22.15)	8,602.24 (100.00)	6,714.92 (78.06)	1,887.32 (21.94)
1960-61	8,979.53 (74.62)	3,053.76 (25.38)	12,033.29 (100.00)	9,472.40 (78.72)	2,560.89 (21.28)
<b>Third Plan</b>					
1961-62	9,568.85 (74.32)	3,305.52 (25.68)	12,874.37 (100.00)	10,094.81 (87.41)	2,779.56 (21.59)
1962-63	9,389.71 (74.70)	3,179.27 (25.30)	12,568.98 (100.00)	9,772.43 (77.75)	2,796.55 (22.25)
1963-64	9,879.04 (74.38)	3,402.03 (25.62)	13,281.07 (100.00)	10,085.27 (75.94)	3,195.80 (24.06)
1964-65	10,815.32 (78.94)	2,884.58 (21.06)	13,699.90 (100.00)	10,058.42 (73.42)	3,641.47 (26.58)
1965-66	12,546.47 (78.87)	3,361.53 (21.13)	15,908.00 (100.00)	11,621.23 (73.05)	4,286.77 (26.95)
1966-67	15,144.19 (79.84)	3,824.49 (20.16)	18,968.68 (100.00)	12,990.91 (68.49)	5,977.77 (31.51)
1967-68	15,752.29 (80.32)	3,859.24 (19.68)	19,611.53 (100.00)	14,461.32 (73.74)	5,150.21 (26.26)
1968-69	21,228.82 (78.27)	5,893.81 (21.73)	27,122.63 (100.00)	19,061.17 (70.28)	8,061.46 (29.72)
1969-70	21,453.81 (78.72)	5,796.58 (21.28)	27,250.39 (100.00)	19,668.84 (72.18)	7,581.55 (28.82)
1970-71 (R.E.)	25,287.36 (84.44)	4,660.93 (15.56)	29,948.29 (100.00)	21,131.63 (70.56)	8,816.66 (29.44)
1971-72 (B.E.)	27,379.41 (87.56)	3,889.81 (12.44)	31,269.22 (100.00)	22,065.50 (70.57)	9,203.72 (29.43)

*Notes*—Figures in bracket indicate percentages to the total Expenditure.

period at the current prices. In terms of the concept of the classification according to 'development' and non-development' expenditure, the total expenditure during the year 1957-58 was composed of 74.47 per cent (or Rs. 52.06 crores) of development expenditure and the balance of 25.53 per cent (or Rs. 17.85 crores) of non-developmental expenditure. In the course of 15 years from 1957-58 to 1971-72, this composition changed with a decrease in the share of development expenditure to 70.57 per cent (or Rs. 220.65 crores) and a proportionate increase in the share of non-development expenditure to 29.43 per cent (or Rs. 92.03 crores). In absolute terms, both the development and non-development expenditure have increased as many as 4 times and five times respectively. The rate of growth of non-development expenditure appears faster than that of the development expenditure from the above table. It is hazardous to draw any conclusion prematurely at this stage without analysing the growth structure of the factors and components of these classification. It can be however said, in general and on very broad terms, that reasons for the growth of non-development expenditure have been due to the following :—

1. Integration of States under the States Re-organisation Act ;
2. The steady increase in the emoluments of Government Servants necessitated by rise in prices ;
3. Administrative machinery required to meet the needs of Planning and expenditure on the maintenance of assets created in the earlier plan period ;
4. Mounting interest charges on debt.

2.5.4. The average percentage composition of the total expenditure of the State over the successive five year plans is presented in the table below :—

TABLE No. 4

Average percentage composition of the Total Expenditure in Karnataka

Items	Second Plan (1957-58 to 1960-61)	Third Plan (1961-62 to 1965-66)	Average over fifteen years from 1957- to 1971-72
Revenue Expenditure	78.89	76.24	78.39
Capital Expenditure	21.61	23.76	21.61
Total Expenditure	100.00	100.00	100.00
Development Expenditure	77.11	75.71	74.12
Non-Development Expenditure	22.89	24.29	25.88

It can be seen that the total expenditure of the State is composed on an average of 78.39 per cent of Revenue expenditure and 21.61 per cent of capital expenditure. During the second plan period covering four years from 1957-58 to 1960-61, revenue expenditure contributed on an average as much as 78.39 per cent to the total expenditure and the balance of 21.61 per cent contributed by capital expenditure. During the third plan period, the percentage contribution of these components remained almost same without any appreciable increase or decrease. On the other hand, the classification of total expenditure as development and non-development has registered variations over the successive plans. During the Second Plan, development expenditure which contributed on an average as much as 77.11 per cent to the total expenditure has decreased to 75.71 per cent during the Third Plan. Correspondingly the share of the non-development expenditure has shown proportionate increase from 22.89 per cent in second plan to 24.29 per cent in Third Plan on an average. The average composition of the total expenditure in terms of development and non-development expenditure was of the order 74.12 per cent and 25.88 per cent respectively.

Thus, on an average, development expenditure has shared as much as three fourths of the total expenditure.



## 2.6. Per capita, growth and composition of total expenditure :

2.6.1. The trends in growth and composition of total expenditure in terms of per capita over the fifteen years period from 1957-58 to 1971-72 is presented in the table No. 5.

2.6.2. It is clear from the table No. 5 that the per-capita total disbursement in 1957-58 was at Rs. 36.50 at current prices. In the course of 15 years, the the per capita total disbursement has increased by more than three and a half times to Rs. 136.59 in 1971-72. On an average, the total disbursement in terms of per capita was of the order of Rs. 82.06.

TABLE No. 5

### Per Capita, Growth and Composition of Total Expenditure in Karnataka (CURRENT PRICES)

(Amount in Rs.)

Year (accounts)	Revenue Expendi- ture	Capital Expendi- ture	Development Expendi- ture	Non- Development Expendi- ture	Total Expendi- ture	Total disburse- ment.
1957-58	23.98	7.58	23.51	8.05	31.56	36.50
1958-59	26.13	7.76	26.16	7.73	33.89	38.09
1959-60	29.13	8.29	29.21	8.21	37.42	42.91
1960-61	38.36	13.04	40.46	10.94	51.40	57.76
Second Plan (average)	29.40	9.16	29.83	8.73	38.56	43.81
1961-62	40.15	13.87	42.36	11.66	54.02	63.38
1962-63	38.72	13.11	40.29	11.64	51.83	60.39
1963-64	40.04	13.79	40.88	12.95	53.83	65.50
1964-65	43.10	11.50	40.09	14.51	54.60	66.06
1965-66	49.18	13.18	45.56	16.80	62.36	81.26
Third Plan (Average)	42.24	13.09	41.84	13.49	55.33	67.59

1	2	3	4	5	6	7
1955-57	58.40	14.75	50.10	23.05	73.15	91.95
1957-58	59.21	14.51	54.36	19.36	73.73	95.24
1958-59	78.40	21.77	70.40	29.77	100.17	128.90
1969-70	77.87	21.04	71.39	27.52	98.90	132.93
1970-71	90.22	16.63	75.39	31.46	106.85	132.67
(R.E.)						
1971-72	96.06	13.65	77.41	32.29	109.70	136.59
(R.E.)						
Average for 15 years.	52.60	13.63	48.50	17.73	66.23	82.06

2.6.3. The total expenditure as between 1957-58 and 1971-72 at current prices has grown by nearly three and a half times. It rose from Rs. 31.56 in 1957-58 to Rs. 109.70 in 1971-72. During the second and third Plan periods, the average per capita total expenditure was of the order of Rs. 38.56 and Rs. 55.33 respectively. On an average, the per capita total expenditure observed during the 15 year period from 1957-58 to 1971-72 has been of the order of Rs. 66.23. During the second plan period, the average per capita total expenditure of Rs. 38.56 was Composed of Rs. 29.40 of Revenue expenditure and the balance of Rs. 9.16 of capital expenditure. This average composition was characterised by an increase during the third plan period to as much as Rs. 42.24 under revenue expenditure and Rs. 13.09 under capital expenditure respectively and together constituting Rs. 55.33 under total expenditure in terms of per capita at current prices. On an average, the composition of per capita total expenditure of Rs. 66.23 has been of the order of Rs. 52.60 of revenue expenditure and Rs. 13.63 of capital expenditure. During the period of 15 years the per capita revenue expenditure increased four times from Rs. 23.98 in 1957-58 to Rs. 96.06 in 1971-72, while the per capita. Expenditure increased nearly twice from Rs. 7.58 in 1957-58 to Rs. 13.65 in 1971-72.

2.6.4. In terms of the classification development and non-development, the average composition of the per capita total expenditure of Rs. 66.23 has been of the order of Rs. 48.50 under development expenditure and the balance

of Rs. 17.73 under non-development expenditure. During the Second Plan period, on an average, development expenditure contributed as much as Rs. 29.83 to total expenditure in terms of per capita, while during the third plan this share of development expenditure rose to Rs. 41.84 in terms of per capita.

2.6.5. In general, it can be said that on an average the per capita total expenditure which stood at Rs. 66.23 was composed of four fifths under revenue expenditure and one fifth under capital expenditure or almost three fourth under development expenditure and one fourth under non-development expenditure. The era of planning had set the pace to the rapid growth of these components in terms of per capita to as many as four times in respect of revenue expenditure, nearly twice in respect of capital expenditure, more than three times in respect of development expenditure, and four times in respect of non-development expenditure.

2.7. *Total expenditure classified as plan and non-plan expenditure:*

2.7.1. The growth of total expenditure classified as plan and non-plan is presented in the table No. 6 (Page 22).

2.7.2. The table above brings forth that almost one third of the total expenditure was shared by plan expenditure and the balance by non-plan expenditure during the third Five Year Plan. This composition changed to slightly less than one fourth and more than three fourths respectively during 1971-72. While the plan expenditure of Rs. 37.65 crores at the beginning of the Third Plan in 1961-62 increased to more than one and a half times to Rs. 68.98 crores in 1971-72, the non-plan expenditure increased more than two and a half times from Rs. 92.00 crores to Rs. 243.71 crores during the same period. The analysis and discussions relating to the trends in growth, rate of growth and pattern of growth of development expenditure classified as plan and non-plan expenditure is discussed elsewhere in this report.

TABLE No. 6

## Trends in Total Expenditure of state Classified as Plan and Non-Plan (Revenue and Capital Accounts Combined)

(Current Prices)

(Rs. in lakhs)

Year (Accounts)	Plan Expenditure			Non-Plan Expenditure			Total Expenditure
	Development	Non- Development	Total	Development	Non- Development	Total	
1	2	3	4	5	6	7	8
1961-62	3,748.19	16.39	3,764.58 (29.24)	6,346.62	2,763.17	9,109.79 (70.73)	12,874.37 (100.00)
1962-63	3,972.32	72.29	4,044.61 (32.18)	5,800.11	2,724.26	8,524.37 (87.82)	12,568.98 (100.00)
1963-64	4,487.10	41.89	4,529.08 (34.10)	5,598.17	3,153.82	8,751.99 (65.90)	13,281.07 (100.00)
1964-65	4,398.65	46.73	4,445.38 (32.45)	5,659.78	3,594.74	9,254.52 (87.55)	13,699.90 (100.00)
1965-66	4,739.13	68.73	4,807.86 (30.22)	6,882.10	4,218.04	11,100.14 (69.78)	15,998.06 (100.00)
Total of III Plan	21,345.39	246.12	21,591.51 (81.60)	30,266.78	18,454.03	48,740.81 (68.40)	68,332.34 (100.00)

1	2	3	4	5	6	7	8
1966-67	4,522.14	95.04	4,615.18 (24.33)	8,468.77	5,884.73	14,353.50 (75.67)	18,968.68 (100.00)
1967-68	5,673.30	67.67	5,760.97 (29.38)	8,788.02	5,062.54	13,850.56 (70.62)	19,611.63 (100.00)
1968-69	6,258.25	87.71	6,355.96 (23.42)	12,792.92	7,973.75	20,766.67 (76.57)	27,122.63 (100.00)
1969-70	7,949.17	99.57	8,046.74 (29.54)	11,719.67	7,481.98	19,201.65 (70.46)	27,250.39 (100.00)
1970-71 B.E.	6,005.40	134.91	6,740.31 (22.61)	14,526.23	8,631.75	23,207.98 (77.19)	29,948.29 (100.00)
1971-72 B.E.	6,743.15	154.85	6,898.00 (21.06)	15,322.35	9,048.87	24,371.22 (77.94)	31,269.22 (100.00)

Note:— Figures in brackets represent percentages to total expenditure.

~~2.7.3.~~ 2.7.3. In terms of *per capita* the total expenditure of Rs. 55.33 has been divided at the rate of Rs. 17.47 under plan expenditure and Rs. 37.86 as non-plan expenditure during the third plan. This proportion changed to Rs. 27.43 under plan expenditure and 82.27 under non-plan together accounting for the *per capita* total expenditure of Rs. 109.70 during 1971-72.

### 2.8. *Magnitude of central assistance to the total expenditure of the State.*

2.8.1. After considering the trends in growth and the composition of the total expenditure of the State under the various classifications, it is interesting to study the share of the central assistance in the total expenditure incurred by the State Government. The Table No. 7 presents the trend in the magnitude of central assistance to the total expenditure of the State.

The central financial assistance to the State comprises shared taxes, grants and loans. The first thing that strikes the eye is the sheer magnitude of the central financial assistance. In the fifteen years period chosen for the study *viz.*, from 1957-58 to 1971-72 the Central assistance increased almost four and a half times from Rs. 27.96 crores in 1957-58 to Rs. 125.27 crores in 1971-72. Against this increase of Central assistance, the total expenditure of the State increased almost four and a half times from Rs. 69.91 crores in 1957-58 to Rs. 312.69 crores in 1971-72. Each Five Year Plan has witnessed in increasing quantum of central financial assistance, the third plan providing as much as two and a half times that of second plan. There is no significant increase/decrease in the Central financial assistance in the overall resources of the State. During the Second Plan the share of central assistance was of the order of 38.06 per cent of the over all expenditure of the State and which increased to 44.52 per cent during the third plan period. On an average, the scale of Central financial assistance to the over all expenditure of the State has been

of the order of 44.26 per cent. In this connection, it can be said that the plan expenditure which constitutes on an average about 30 per cent of the total expenditure is largely financed by the centre. It is necessary to point out at this stage the scale of central financial assistance is determined by the awards of the Finance Commissions constituted once in five years.

TABLE No. 7

## Magnitude of Central Assistance to the Total Expenditure of the state

(CURRENT PRICES)

(Rs. in lakhs)

Year (Accounts)	Total Expenditure	Central financial assistance	Percentage of Central assistance to total Expenditure
1957-58 .. ..	6,990.77	2,795.89	39.99
1958-59 .. ..	7,648.70	3,349.06	43.79
1959-60 .. ..	8,602.24	3,207.37	37.28
1960-61 .. ..	12,033.29	4,006.34	33.29
<b>Total of Second Plan ..</b>	<b>35,095.00</b>	<b>13,358.66</b>	<b>38.08</b>
1961-62 .. ..	12,874.37	4,942.38	38.39
1962-63 .. ..	12,568.98	5,386.07	42.85
1963-64 .. ..	13,281.07	6,218.28	46.82
1964-65 .. ..	13,699.90	6,453.08	47.10
1965-66 .. ..	15,908.00	7,425.45	46.68
<b>Total of Third Plan ..</b>	<b>68,332.32</b>	<b>30,425.26</b>	<b>44.52</b>
1966-67 .. ..	18,968.68	10,851.34	57.21
1967-68 .. ..	19,611.53	10,763.70	54.88
1968-69 .. ..	27,122.63	12,560.26	46.30
1969-70 .. ..	27,250.39	11,551.06	42.39
1970-71 (B.E.) ..	29,948.29	11,990.85	40.04
1971-72 (B.E.) ..	31,269.31	12,527.56	40.06
<b>Total over 15 years ..</b>	<b>2,57,598.15</b>	<b>1,14,028.68</b>	<b>44.26</b>

~~2.9.~~ 2.9. Comparative trends in Government expenditure in Southern States :

2.9.1. After having considered the trends in the Government expenditure of the State, it remains to be considered the extent to which the trends observed in Karnataka State compare with that obtaining in the other Southern States of India *viz.*, Andhra Pradesh, Tamilnadu and Kerala. An exercise has been attempted in this direction and presented in the table No. 8. A study of the Table No. 8 brings forth that during the beginning of the third plan in 1961-62, the share of the revenue expenditure of Karnataka State was the lowest among the four Southern States with 68.11 per cent of total expenditure followed by Andhra Pradesh with 73.07 per cent, Kerala with 82.00 per cent, and Tamilnadu with 85.13 per cent as against the figure of 77.78 per cent in respect of all India (by States). Conversely, during the same year the share of capital expenditure was the highest in Karnataka State with 31.89 per cent of total expenditure followed by Andhra Pradesh with 26.93 per cent ; Kerala with 18.00 per cent and Tamilnadu with 14.87 per cent as against the figure of 22.22 per cent in respect of all India (by State).

2.9.2. This situation changed at the end of the third Plan in 1965-66 with Karnataka State occupying the second position in ascending order among the four southern States in respect of the share of revenue expenditure with 77.45 per cent, Andhra Pradesh occupying the first position in the ascending order with 69.17 per cent followed by Tamilnadu occupying third position with 83.39 per cent and Kerala occupying the fourth position, with 83.48 per cent as against the all India (by States) figures of 79.41 per cent.

2.9.3. The share of revenue expenditure showed an increase in respect of Kerala and Karnataka in the course of third plan from 1961-62 to 1965-66, while a decrease was registered in respect of Andhra Pradesh and Tamilnadu as against an increase observed in the all India (by State)



TABLE 8

## Comparative Trends in Government Expenditure in southern States—Current Prices

(Rs. in lakhs)

Year/States		Revenue Acct.		Capital Acct.		Development		Non-Development		Total	
		Expendi- ture	Per capita	Expendi- ture	Per capita	Expendi- ture	Per capita	Expendi- ture	Per capita	Expendi- ture	Per capita
1	2	3	4	5	6	7	8	9	10	11	12
<b>1961-62 Accounts :</b>											
Andhra Pradesh ..		8,903 (73.07)	24.59	3,281 (26.93)	9.06	9,051 (74.28)	25.00	3,133 (25.72)	8.65	12,184 (100.00)	33.65
Kerala ..		5,337 (82.00)	31.32	1,171 (18.00)	6.87	4,868 (74.80)	28.57	1,640 (25.20)	9.62	6,508 (100.00)	38.19
Tamilnadu ..		10,095 (85.13)	29.80	1,762 (14.87)	5.20	8,393 (70.78)	24.78	3,464 (29.22)	10.22	11,857 (100.00)	35.00
Karnataka ..		7,061 (88.11)	29.70	3,306 (31.89)	13.91	7,687 (73.18)	31.92	2,780 (26.82)	11.69	10,367 (100.00)	43.61
All India by States		1,12,127 (77.78)	25.32	32,025 (22.22)	7.23	97,538 (67.66)	22.03	10,814 (32.34)	10.52	1,44,152 (100.00)	32.55

(Rs. in lakhs)

Year/States		Revenue Acct.		Capital Acct.		Development		Non-Development		Total	
		Expendi- ture	Per capita	Expendi- ture	Per capita	Expendi- ture	Per capita	Expendi- ture	Per capita	Expendi- ture	Per capita
1	2	3	4	5	6	7	8	9	10	11	12
<b>1985-86 (Accounts) :</b>											
Andhra Pradesh	..	15,410 (69.17)	39.41	6,867 (30.83)	17.56	15,842 (71.11)	40.51	6,435 (28.89)	16.46	22,277 (100.00)	56.97
Kerala	..	8,013 (83.48)	42.58	1,586 (16.52)	8.43	7,047 (73.41)	37.44	2,552 (26.59)	13.57	9,599 (100.00)	51.01
Tamilnadu	..	17,050 (83.39)	47.06	3,394 (16.61)	9.37	13,235 (64.73)	36.53	7,209 (35.27)	19.90	20,444 (100.00)	56.43
Karnataka	..	10,863 (77.45)	41.69	3,162 (22.55)	12.13	9,937 (70.85)	38.14	4,088 (29.15)	5.69	4,025 (100.00)	53.82
All India by States		1,89,224 (79.41)	38.85	49,048 (20.59)	10.07	1,50,703 (83.25)	30.94	87,569 (36.75)	17.96	2,38,272 (100.00)	48.92

Note :—1. Per capita figures are in Rs.

2. Figures in brackets represent percentages.

3. The figures for Mysore do not tally with other tables as certain adjustments have been done to suit comparison.

share of revenue expenditure to total expenditure. In respect of the capital expenditure a converse picture was registered.

2.9.4. At the beginning of the third plan the level of per capita expenditure was the highest in Karnataka at Rs. 43.61 (which comprised Rs. 29.70 of revenue expenditure) followed by Kerala with Rs. 38.19 of total expenditure (consisting of Rs. 31.32 of revenue expenditure and 6.87 of capital expenditure) Tamilnadu with Rs. 35.00 of total expenditure (comprised of Rs. 29.80 of revenue expenditure and Rs. 5.20 of capital expenditure;) Andhra Pradesh with Rs. 33.65 total expenditure with Rs. 24.59 of revenue expenditure and Rs. 9.06 of capital expenditure as against an all India figure (by States) of Rs. 32.55 of total expenditure composed of Rs. 25.32 of revenue expenditure and Rs. 7.23 of capital expenditure.

2.9.5. At the end of the third plan in 1965-66, the situation changed with Andhra Pradesh occupying the first position in the descending order, with Rs. 56.97 of total expenditure per capita composed of Rs. 39.41 of revenue expenditure and Rs. 17.56 of capital expenditure, Tamilnadu occupying second with Rs. 56.43 of total expenditure per capita comprised of Rs. 47.06 of revenue expenditure and 9.37 of capital expenditure, Karnataka occupying the third position with Rs. 53.82 of total expenditure per capita distributed at Rs. 41.69 of revenue expenditure and Rs. 12.13 of capital expenditure; Kerala ranking fourth with Rs. 51.01 of total expenditure per capita divided at the rate of Rs. 42.58 of revenue expenditure and Rs. 8.43 of capital expenditure, as against the all India (by State) figure of Rs. 48.92 of total expenditure per capita, made up of Rs. 38.85 of revenue expenditure and Rs. 10.07 of capital expenditure.

2.9.6. In respect of all the four southern States inclusive of the all-India (States) figure, an increase in respect of per capita total expenditure has been observed

during the third plan period between 1961-62 and 1965-66. This increase has been proportionately contributed by increases in both per capita revenue expenditure and per capita capital expenditure in all the four Southern States as well as all-India (by States) except in Karnataka, where a slight decrease was registered, from Rs. 13.91 of per capita expenditure in 1961-62 to Rs. 12.13 in 1965-66.

2.9.7. In terms of the classification as development and non-development, the situation obtaining in the four southern State was as follows: In respect of both Andhra Pradesh and Kerala at the beginning of the third plan in 1961-62, development expenditure accounted for almost three fourths of the total expenditure while Karnataka occupied the position in descending order of magnitude with 73.18 per cent and Tamilnadu occupying the fourth and last position, with 70.78 per cent as against the all-India (by States) figure of 67.66 per cent.

2.9.8. The position at the end of the third plan in 1965-66 is conspicuous with a uniform decrease in the percentage share of development expenditure in all the four southern States as well as all India (by State). Kerala ranked first with 73.41 per cent, followed by Andhra Pradesh with 71.11 per cent, Karnataka with 70.85 per cent and Tamilnadu with 64.73 per cent as against the all-India (by States) percentage of 63.25. Conversely a uniform increase in the percentage share of non-development expenditure has been observed in all the four Southern States as well as all-India (by States) during the third Plan period from 1961-62 to 1965-66.

2.9.9. In terms of per capita at the beginning of the third plan in 1961-62, Karnataka contributed the highest per capita development expenditure with Rs. 31.92 followed by Kerala with Rs. 28.57; Andhra Pradesh with Rs. 25.00 and Tamilnadu with Rs. 24.78 as against the all-India (by States) contribution of Rs. 22.03 per capita development expenditure. As against a uniform decrease observed at

end of the third plan in 1965-66 in the percentage share of development expenditure, a uniform increase in the per capita development expenditure has been observed in all the four Southern States except all-India (by States) which showed decrease from Rs. 31.92 in 1961-62 to Rs. 30.94 in 1965-66. The relative rankings of the States in the descending order of per capita development expenditure at the end of the third plan in 1965-66 indicate Andhra Pradesh moving upto the first position from third with Rs. 40.51, Karnataka receding by one position from first to second with Rs. 38.13, Kerala receding by one position from second to third position with Rs. 37.44, and Tamilnadu retaining its fourth position with Rs. 36.63.

2.9.10. In general, it can be said that the trends as well as the composition of total expenditure under the classification Revenue and capital accounts as well as development and non-development were almost comparable in the different Southern States.

## CHAPTER III

### COMPOSITION AND GROWTH OF DEVELOPMENT EXPENDITURE

3.1.1. The concept of development and non-development expenditure against foremost importance and relevance when we want to study how the State Government has utilised the tax payer's money. In fact, it is the size and the composition of the public expenditure that the community ultimately looks forward in return for the taxes paid by it. We have seen in the earlier paragraphs that the development expenditure shares on an average as much as three fourths of the total Government expenditure. We have also seen that during the 15 years period from 1957-58 to 1971-72, there has been a declining trend noticed in the development expenditure; while a proportionate increasing trend was prominently noticed in the non-development

TABLE No. 9  
Growth of Development Expenditure  
Current Prices

(Rs. in lakhs)

Year (Accounts)	Development expenditure			Percentage to total Development Expenditure		
	Revenue	Capital	Total	Revenue account	Capital account	Total
1957-58 ..	3,793.71	1,412.34	5,206.05	72.87	27.13	100.00
1958-59 ..	4,257.49	1,647.68	5,905.17	72.10	27.90	100.00
1959-60 ..	4,819.57	1,895.35	6,714.92	71.77	28.23	100.00
1960-61 ..	6,441.52	3,030.88	9,472.40	68.00	32.00	100.00
<b>Total of Second Plan</b>	<b>19,312.29</b>	<b>7,986.25</b>	<b>27,298.54</b>	<b>70.74</b>	<b>29.26</b>	<b>100.00</b>
1961-62 ..	6,848.57	3,246.24	10,094.81	67.84	32.16	100.00
1962-63 ..	6,490.22	3,282.21	9,772.43	66.41	33.59	100.00
1963-64 ..	6,715.44	3,369.83	10,085.27	66.58	33.42	100.00
1964-65 ..	7,256.46	2,801.97	10,058.43	72.14	27.86	100.00
1965-66 ..	8,498.11	3,123.12	11,621.23	73.12	26.88	100.00
<b>Total of Third Plan</b>	<b>35,808.80</b>	<b>15,823.37</b>	<b>51,632.17</b>	<b>69.35</b>	<b>30.65</b>	<b>100.00</b>
1966-67 ..	9,320.08	3,670.83	12,990.81	71.74	28.26	100.00
1967-68 ..	10,193.36	4,267.96£	14,461.32	70.48	29.52	100.00
1968-69 ..	13,804.00	5,257.17£	19,061.17	72.42	27.58	100.00
1969-70 ..	13,469.28	6,199.56£	19,668.84	68.48	31.52	100.00
1970-71(R3)	16,032.17	5,099.46£	21,131.63	75.86	24.14	100.00
1971-72(BE)	18,123.58	3,941.92£	22,065.50	83.13	17.87	100.00
<b>Total over 15 years</b>	<b>1,36,063.56</b>	<b>52,246.47</b>	<b>1,88,310.03</b>	<b>72.26</b>	<b>27.74</b>	<b>100.00</b>

Note:—£ Capital expenditure on development exhibited above is more than the total capital outlay (inclusive of non-capital outlay). It is due to the fact that there is net capital receipt on transactions in respect of non-development activities.

expenditure. We shall analyse and discuss in this chapter the factors that compose the development expenditure and those that are responsible for the decline noticed. Besides, a fundamental question also follows immediately that how far the decline noticed is realistic.

3.1.2. The composition of development expenditure met from Revenue and Capital accounts and trends in total expenditure and development expenditure is presented in Table No. 9. It is clear from this table that the development expenditure has exhibited an increase of more than four times from Rs. 52.06 crores in 1957-58 to Rs. 220.65 crores in 1971-72. This was characterised by an increase of more than four and a half times of the Development expenditure met from Revenue account from Rs. 37.94 crores in 1957-58 to Rs. 181.23 crores in 1971-72 and also an increase of more than two and a half times of the development expenditure met from capital account from Rs. 14.12 crores in 1957-58 to Rs. 39.42 crores in 1971-72. Further, it could be seen that the percentage share of development expenditure met from revenue account started declining at the first instance from Rs. 72.87 per cent in 1957-58 to 66.41 per cent in 1962-63 and thereafter showed an increase. On an average, as much as 72.26 per cent of the development expenditure is met from revenue account and the remaining Rs. 27.74 per cent is accounted from the capital account. Between the second plan and third plan periods there has been a decrease in the percentage share of development expenditure met from revenue from Rs. 70.74 per cent to 69.35 per cent, and a proportionate increase in the capital components of development expenditure from 29.26 per cent to 30.65 per cent.

3.1.4. We have said in the earlier paragraph that the era of planning has set the pace to the growth of development expenditure. In this context a study of the growth of development expenditure classified as plan and non-plan gains significance. Table 10 presents the growth of the

development expenditure during the third plan period and onwards classified as plan and non-plan.

3.1.5. It can be seen from the table 10 that at the beginning of the Third Plan in 1961-62, the development expenditure for plan purpose was of the order of Rs. 37.48 crores or 37.13 per cent of the development expenditure and the non-plan component of development expenditure was of the order of Rs. 63.47 crores or 62.87 per cent of total development expenditure. It is evident that the non-plan component is almost one and a half times the plan component of the development expenditure. From 1961-62 onwards the development expenditure spent for plan purposes has shown a gradual increase in absolute terms that at the end of the Third Plan in 1965-66 the plan component contributed as much as Rs. 47.39 crores or 40.78 per cent to the total development expenditure. At the end of the 11 years period from 1961-62 to 1971-72, the plan component increased in absolute terms by as much as 180 per cent over 1961-62 to Rs. 67.43 crores or 30.56 per cent of the total development expenditure. It is pertinent to notice that although there has been an increase in the plan component of the development expenditure in absolute terms from 1961-62 to 1971-72 however, its share in the total development expenditure decreased from 37.13 per cent to 30.56 per cent. During the same period non-plan component of development expenditure increased by as much as 241 per cent over 1961-62 to Rs. 153.22 crores or 69.44 per cent of total development expenditure.

3.1.6. On an average, it can be said that the development expenditure is expended for plan and non-plan purposes at the rate of 37 and 63 per cents respectively.

3.1.7. It is necessary to spell out clearly the meaning of the non-plan component of the development expenditure incurred outside the plan is termed as non-plan development expenditure. This is again composed of two components, viz., committed expenditure of the previous plans and other development expenditures comprising States own programme of development outside the plan programme.



TABLE No. 10

**Growth of Development Expenditure Plan and Non-Plan  
(Revenue and Capital Accounts)**

Year (Accounts)	Development expenditure (Rs. in lakhs)			Percentage to total development expenditure		
	Plan	Non-plan	Total	Plan	Non-plan	Total
1961-62 ..	3,748.19	6,346.62	10,094.81	37.13	62.87	100.00
1962-63 ..	3,972.32	5,800.11	9,772.43	40.65	59.35	100.00
1963-64 ..	4,487.10	5,598.17	10,085.27	44.49	55.51	100.00
1964-65 ..	4,398.65	5,659.78	10,058.43	43.73	56.27	100.00
1965-66 ..	4,739.13	6,882.10	11,621.23	40.78	59.22	100.00
<b>Total of Third Plan</b>	<b>21,345.39</b>	<b>30,286.78</b>	<b>51,632.17</b>	<b>41.34</b>	<b>58.66</b>	<b>100.00</b>
1966-67 ..	4,522.14	8,468.77	12,990.91	34.81	65.19	100.00
1967-68 ..	5,673.30	8,788.02	14,461.32	39.23	60.77	100.00
1968-69 ..	6,168.25	12,892.92	19,061.17	32.36	67.64	100.00
1969-70 ..	7,949.17	11,719.67	19,668.84	40.42	59.58	100.00
1970-71 (R.E.)	6,605.40	14,526.23	21,131.63	31.26	68.74	100.00
1971-72 (B.E.)	6,743.15	15,322.35	22,065.50	30.56	69.44	100.00
<b>Total of 11 years</b> ..	<b>59,006.80</b>	<b>1,02,004.74</b>	<b>1,61,011.54</b>	<b>36.65</b>	<b>63.35</b>	<b>100.00</b>

3.1.8. In this context, it could be mentioned that development expenditure outside the plan is likely to be less favoured than plan expenditure. Inclusion of new schemes outside the plan frame is definitely questionable. But such a practice is in vogue and might have grown out of various considerations in order to satisfy the local desire. As such, the distinction between plan and non-plan expenditure becomes fluid and therefore ~~Sub-National Expenditure Unit~~ to be viewed as a whole.

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### 3.2. *Composition of development expenditure :*

3.2.1. The composition of development expenditure met from both revenue and capital accounts is presented in the table 11. As could be seen from this table that in the course of 15 years, each and every component that compose the development expenditure has shown absolute increase, while the share of each in the percentage composition of development expenditure has varied differently. In respect of Agriculture and Animal Husbandry although the scale of expenditure increased eight folds in absolute terms from Rs. 1.63 crores in 1957-58 to Rs. 13.55 crores in 1971-72 however, its percentage share in shaping the development expenditure rose almost twice from 3.31 per cent in 1957-58 to 6.14 per cent in 1971-72.

3.2.2. Among the development heads, co-operation and Rural development, multipurpose river scheme, Irrigation, Navigation and Electricity schemes, Community Development Project, National Extension Scheme and Local Development Works, Forest, there has not been any appreciable increase or decrease in the percentage composition of development expenditure in the course of 15 years period. While the development heads, Education, Medical and Public Health, Public Works, showed a very slight increase in their percentage share to the development expenditure during the same period.

TABLE No. 11  
Composition of Development Expenditure  
(Revenue and Capital Account Combined)

(Rs. in lakhs)

Year (Accounts)	Total Development Expenditure (Revenue and Capital)	Agriculture and Animal Husbandry	Co-operation and Rural Develop- ment	Multipurpose river scheme, Irrigation Navigation and Electricity Scheme
2	3	4	5	6
1957-58 ..	5,206.05 (100.00)	162.91 (3.13)	81.03 (1.56)	1,062.36 (20.41)
1958-59 ..	5,905.17 (100.00)	192.62 (3.26)	101.22 (1.71)	1,161.46 (19.67)
1959-60 ..	6,714.92 (100.00)	226.64 (3.38)	101.41 (1.51)	1,494.81 (22.26)
1960-61 ..	9,472.40 (100.00)	259.23 (2.74)	66.75 (0.70)	2,151.73 (22.72)
1961-62 ..	10,094.81 (100.00)	284.91 (2.82)	71.48 (0.71)	2,341.15 (23.19)
1962-63 ..	9,772.42 (100.00)	319.11 (3.26)	81.78 (0.84)	2,463.72 (25.22)
1963-64 ..	10,085.27 (100.00)	418.75 (4.15)	92.44 (0.92)	3,041.07 (30.15)
1964-65 ..	10,058.43 (100.00)	434.49 (4.32)	104.24 (1.04)	2,767.54 (27.51)
1965-66 ..	11,621.23 (100.00)	784.30 (6.75)	127.09 (1.09)	2,742.97 (23.61)
1966-67 ..	12,990.91 (100.00)	720.28 (5.54)	156.51 (1.20)	3,143.88 (24.21)
1967-68 ..	14,461.32 (100.00)	891.20 (6.16)	253.48 (1.75)	3,556.08 (24.58)
1968-69 ..	19,061.17 (100.00)	1,212.86 (6.36)	373.86 (1.96)	5,908.59 (31.00)
1969-70 ..	19,688.84 (100.00)	1,064.47 (5.41)	409.94 (2.08)	6,827.43 (34.71)
1970-71(B.E.) ..	21,131.63 (100.00)	1,119.44 (5.30)	599.72 (2.84)	5,699.97 (26.97)
1971-72(B.E.) ..	22,065.50 (100.00)	1,354.90 (6.14)	605.64 (2.74)	4,361.84 (19.77)

TABLE No. 11 (Contd.)

(Rs. in lakhs)

Sl. No.	Year (Accounts)	Education	Medical	C.D.P., H.E.S. and D. Works		Public Works
				9	10	
1	2	7	8	9	10	
1.	1957-58	900.19 (17.29)	318.03 (6.11)	141.73 (2.72)	579.94 (11.12)	
2.	1958-59	964.41 (16.33)	358.84 (6.04)	175.16 (2.97)	691.94 (11.72)	
3.	1959-60	1,085.31 (16.16)	390.62 (5.82)	210.01 (3.13)	879.39 (13.00)	
4.	1960-61	1,247.27 (13.17)	474.23 (5.00)	262.88 (2.78)	1,559.78 (17.52)	
5.	1961-62	1,440.23 (14.27)	538.78 (5.34)	262.73 (2.60)	2,048.24 (20.29)	
6.	1962-63	1,662.47 (17.01)	877.51 (8.98)	301.31 (3.08)	1,835.46 (20.22)	
7.	1963-64	1,826.39 (18.11)	703.46 (6.98)	305.41 (3.03)	1,979.32 (19.62)	
8.	1964-65	2,066.91 (20.55)	722.02 (7.18)	313.69 (3.12)	1,830.42 (18.20)	
9.	1965-66	2,460.27 (21.17)	716.61 (6.17)	392.81 (3.38)	1,854.57 (15.96)	
10.	1966-67	2,838.21 (21.85)	892.28 (6.87)	372.09 (2.86)	2,021.17 (15.56)	
11.	1967-68	3,153.04 (21.80)	1,093.51 (7.56)	371.49 (2.51)	1,925.77 (13.32)	
12.	1968-69	3,856.20 (20.23)	1,290.70 (6.77)	354.35 (1.86)	2,116.74 (11.10)	
13.	1969-70	4,257.53 (21.65)	1,435.89 (7.80)	305.01 (1.55)	2,152.04 (10.94)	
14.	1970-71(R.E.)	5,014.14 (23.73)	1,627.12 (7.70)	299.59 (1.42)	3,511.61 (11.89)	
15.	1971-72(B.E.)	5,570.88 (25.25)	2,067.79 (9.37)	564.80 (2.55)	2,998.18 (12.79)	

TABLE No. 11—(Contd.)

Sl. No.	Year (Accounts)	Industrial Development	Roads and water transport schemes	Forest	Others (residual)
1	2	11	12	13	14
1.	1957-58 ..	1,619.76 (31.11)	57.60 (1.11)	162.57 (3.12)	121.03 (2.32)
2.	1958-59 ..	1,819.23 (30.80)	102.51 (1.74)	204.43 (3.46)	135.35 (2.29)
3.	1959-60 ..	1,813.10 (27.00)	94.86 (1.41)	253.12 (3.77)	171.65 (2.56)
4.	1960-61 ..	2,080.88 (21.97)	735.31 (7.76)	295.62 (3.12)	238.72 (2.52)
5.	1961-62 ..	2,198.69 (21.78)	327.05 (3.24)	369.70 (3.66)	211.85 (2.10)
6.	1962-63 ..	1,402.45 (14.35)	..	443.74 (4.54)	244.86 (2.50)
7.	1963-64 ..	992.41 (9.84)	..	441.92 (4.38)	284.10 (2.82)
8.	1964-65 ..	1,070.74 (10.64)	..	406.91 (4.63)	282.47 (2.81)
9.	1965-66 ..	1,673.68 (14.40)	..	510.44 (4.39)	366.49 (3.08)
10.	1966-67 ..	1,971.25 (15.17)	..	509.03 (3.92)	366.21 (2.82)
11.	1967-68 ..	2,231.54 (15.43)	..	578.99 (4.03)	406.22 (2.80)
12.	1968-69 ..	3,360.97 (17.63)	-522.31 (-2.74)	622.64 (3.27)	486.87 (2.56)
13.	1969-70 ..	1,723.02 (8.76)	..	710.84 (3.62)	782.62 (3.98)
14.	1970-71 (RE) ..	2,534.56 (11.99)	..	767.57 (3.63)	957.59 (4.53)
15.	1971-72 (BE) ..	2,608.10 (11.82)	6.00 (0.03)	872.45 (3.95)	1,231.82 (5.38)

Figures in bracket indicate percentage of Total Development expenditure.

3.2.3. The average percentage composition of the development expenditure over the plan periods is presented in the Table below :

TABLE No. 12

Average percentage composition of Development Expenditure in Karnataka

Sl. No.	Items	Second Plan (1957-58 to 1960-61)	Third Plan (1961-62 to 1965-66)	Average over 15 years from 1957-58 to 1971-72
1	2	3	4	5
1.	Agriculture and Animal Husbandry ..	3.13	4.26	4.58
2.	Co-operation and Rural Development, Multipurpose river scheme, Irrigation.	1.37	0.92	1.61
3.	Navigation and Electricity Schemes ..	21.27	25.94	26.07
4.	Community Development Project, National Extension Scheme and Local Development works.	2.90	3.04	2.64
5.	Public Works ..	13.34	18.86	14.87
6.	Industrial Development ..	27.72	14.20	17.52
7.	Road and Water Transport Scheme ..	3.00	10.05	0.84
8.	Forest ..	3.57	4.32	3.83
9.	Education ..	15.74	18.22	19.24
10.	Medical and Public Health ..	5.74	6.93	6.88
11.	Others (residual) ..	2.42	2.66	3.02
12.	Total development ..	100.00	100.00	100.00

A study of the table No. 12 makes clear that during the second plan period development expenditure on social services comprising education, medical and public health contributed as much as 21.48 per cent to the total development expenditure and the balance of 78.52 per cent being shared by the sectors that compose economic development. During this period, it can be seen that Industrial Development shared the maximum with 27.72 per cent followed by multipurpose river scheme irrigation, navigation, electricity schemes with 21.27 per cent, followed by public works with 13.34 per cent.

3.2.4. The situation during third plan period exhibited an increase in the percentage share of the development expenditure on social services (Education, Medical and Public Health) to 25.15 per cent and the balance of 74.85 per cent being shared by all such sectors that comprise economic development. During the same period, it is pertinent to notice that the percentage share of development expenditure on Industrial development declined to 14.20 per cent which is almost half of that registered during the second plan. The decline noticed is due to the formation of the Mysore Iron and Steel Works and the cement plant at Bhadravathi with Joint Stock Company from 1st April 1962 and the Kolar Gold Mining undertakings having been taken over by the Centre with effect from 1st December 1962. Thus, during third Plan period, multipurpose river schemes, irrigation, navigation and electricity schemes shared the maximum percentage with as much as 25.94 per cent followed by public works as second and by Industrial Development with 14.20 per cent as third.

3.2.5. In general, the average composition of development expenditure comprised of Revenue and Capital accounts has been of 26.12 per cent under Social services and the balance of 73.88 per cent under economic development. In other words, roughly on an average, the development expenditure is composed of one fourth under social services and three fourths under economic development.

3.2.6. Of the 73.88 per cent share of development expenditure on economic developments as much as 25.07 per cent is shared by multipurpose river schemes, irrigation, etc., 14.87 per cent is shared by public works, 17.52 per cent by Industrial developments; 4.58 per cent by Agriculture and Animal Husbandary and balance of 11.94 per cent collectively shared by co-operation, Rural developments, Community Development, National Extension Scheme and Local Development Works, Forest and others. While the average percentage of 26.12 per cent shared by social services, is composed of 19.24 per cent under education and the balance of 6.88 per cent under Medical and Public Health.

### 3.3. *Distribution of outlays, actual expenditure and priorities during the plan periods :*

3.3.1. After having considered the composition of the development expenditure, it would be interesting to study its growth against the outlays and priorities assigned over the plan periods. This exercise has been attempted and presented in table No. 13.

As could be seen from the table No. 13, during the first plan period, the distribution of priorities in respect of the outlays on the different development sectors indicates that major and medium irrigation was given first priority, followed by power as second, Agriculture, Minor Irrigation and allied as third, transport and communication as fourth, social services as fifth, Industry and minerals as sixth and community development as seventh and the last. While the actual plan expenditure incurred during the same period on different development sectors follow a different pattern. While expenditure on major and medium irrigation as well as power retained their position of being first and second, as per the allocation of outlays, Transport and Communication occupied the third position, followed by Agriculture, Minor Irrigation and allied occupying the fourth position, social services sector retained its fifth position, while Industry and Minerals and Community Development and Co-operation interchanged their position to sixth and seventh, as against the sectoral priorities on outlays.

3.3.2. During the second plan period, the sectoral priority on outlays were as follows : Major and medium irrigation was again given first priority followed by social services as second, against the fifth priority assigned during the first plan. The third priority was assigned to power as against its second priority in the first plan. The other sectors, viz., Agriculture, Minor Irrigation and allied ; Community Development and co-operation ; Transport and communication ; Village and small scale Industries and Industries and minerals were assigned the fourth, fifth, sixth, seventh and eighth priorities respectively.



TABLE No. 13

Distribution of Outlay, Actual Expenditure and Priorities over the Plan

(Rs. in Crores)

Item	Agriculture Minor Irrigation and Allied	Community Development and co-operation	Major and Medium Irrigation	Power	Village and Small Scale Industries	Industry and Minerals	Transport and communication	Social services	Total	Mean population (Million)	Per capita (Rs.)	
1	2	3	4	5	6	7	8	9	10	11	12	
<b>FIRST PLAN (1951-56):</b>												
Outlay	5.03	1.94	16.10	13.79	..	2.06	4.93	3.74	47.59	10.40	45.75	
Percentage	10.57	4.07	33.83	28.98	..	4.33	10.36	7.86	100.00		..	
Priority	3rd	7th	1st	2nd	..	6th	4th	5th	..	..	..	
Actual Plan Expenditure	4.23	1.56	15.38	10.40	..	1.30	4.30	2.85	40.52	10.40	38.96	
Percentage	10.44	3.85	37.95	25.67	..	3.21	11.85	7.08	100.00		..	..
Priority	4th	6th	1st	2nd	..	7th	3rd	5th	..		..	..
<b>SECOND PLAN (1956-61):</b>												
Outlay	16.66	13.61	32.99	27.28	6.80	4.99	10.02	32.75	145.10	22.00	65.97	
Percentage	11.48	9.38	22.74	18.80	4.69	3.44	6.90	22.57	100.00		..	..
Priority	4th	5th	1st	3rd	7th	8th	6th	2nd	..	..	..	
Actual Plan Expenditure	18.35	11.08	27.10	26.61	6.53	5.57	14.87	30.16	142.27	22.00	64.67	
Percentage	13.06	7.90	19.32	18.97	4.66	3.97	10.60	21.60	100.00		..	..
Priority	4th	6th	2nd	3rd	7th	8th	5th	1st	..		..	..

	1	2	3	4	5	6	7	8	9	10	11	12
<b>THIRD PLAN (1961-66):</b>												
Outlay ..	41.05	20.79	40.66	69.67	7.75	7.97	13.30	48.81	250.00			97.40
Percentage ..	16.42	8.32	16.23	27.87	3.10	3.19	5.32	19.52	100.00			..
Priority ..	3rd	5th	4th	1st	8th	7th	8th	2nd	..		25.28	..
Actual Plan ..	66.69	17.68	30.86	69.35	3.88	11.60	22.47	41.61	264.14		..	104.48
Expenditure ..												
Percentage ..	25.25	6.69	11.68	26.23	1.47	4.39	8.51	15.75	100.00			..
Priority ..	2nd	6th	4th	1st	8th	7th	5th	3rd	..			..

Note:—Includes expenditure of Rs. 2 crores in integrated area from 1st April to 31st October 1956.

3.3.3. But when we study the scale of actual plan expenditure on these various sectors, it could be seen that the first priority was on social services, second was on major and medium irrigation. The following sectors *viz.*, Agriculture, Minor Irrigation and allied ; Power ; Village and Small Scale Industries ; Industries and Minerals retained their priorities of fourth, third, second and eighth respectively of the sectoral outlays. While in respect of the sectors community development and co-operation and Transport and communication interchanged their priorities to sixth and fifth respectively as against their position in allocation of sectoral outlays.

3.3.4. During the third plan period, the first priority on the sectoral outlay was on power, followed by social services as second, Agriculture, Minor Irrigation and allied as third, Major and Medium Irrigation as fourth, Community Development and Co-operation as fifth, Transport and communication as sixth ; Industry and Minerals as seventh and Village and Small Scale Industries as eighth.

3.3.5. The pattern of expenditure and the distribution of priorities indicate that power held the first position, Agriculture, minor Irrigation and allied occupied the second, Social Services the third position, while all other sectors held the same priorities as that of sectoral outlays except Community Development and co-operation and Transport and Communication, where there was an interchange of priorities.

3.3.6. In the per capita language, during the First Plan period, the total outlay was of the order of Rs. 45.75 as against a per capita plan expenditure of Rs. 38.96. During the second plan period, the per capita outlay as well as plan expenditure increased to Rs. 65.97 and Rs. 64.67 respectively. The third plan period gave a further fillip to both the outlay as well as the plan expenditure such that per capita outlay rose to Rs. 97.40 and the per capita plan expenditure increased to Rs. 104.48.

3.3.7. The foregoing analysis gives a synoptic picture of the distribution of priorities in respect of both the outlay and plan expenditure over the different sectors and also over the different plan periods.

## CHAPTER IV

### 4.1. *Expenditure on Economic Development and Social Services :*

4.1.1: It will be interesting as well as useful to analyse the composition and growth of expenditure on Economic Development and Social Services met from Revenue and Capital accounts separately in this Chapter. We have already said in the earlier chapter that roughly on an average, the development expenditure (comprised of Revenue and Capital) is composed of  $\frac{1}{4}$ th under Social Services and  $\frac{3}{4}$ th under Economic Development.

4.1.2. Let us now examine the composition of expenditure met from Revenue. Table No. 14 presents the composition of Expenditure met from Revenue. It may be observed that the expenditure on Economic Development which was of the order of Rs. 25.22 crores or 47.48 per cent of the total expenditure in 1957-58 increased to Rs. 87.15 crores or 31.83 per cent during the year 1971-72. A similar increase is also noticed in respect of expenditure on social services from Rs. 12.72 crores or 23.95 per cent of the total expenditure in 1957-58 to Rs. 86.35 or 31.54 per cent during the year 1971-72. The Non-development expenditure also increased from Rs. 15.17 crores in 1957-58 to Rs. 100.29 crores during the year 1971-72. The table also shows that the development expenditure met from Revenue which constituted 71.43 per cent of total revenue expenditure with an actual expenditure of Rs. 37.94 crores in 1957-58 decreased to 63.37 per cent with an actual expenditure of

**Rs. 173.50 crores in 1971-72. While in respect of non-development expenditure met from Revenue, an increase was registered from 28.57 per cent of revenue expenditure in 1957-58 to 36.63 per cent in 1971-72. During the period under report the revenue expenditure of the state increased from Rs. 53.11 crores in 1957-58 to Rs. 273.79 crores in 1971-72.**

TABLE No. 14

## Composition of Expenditure met from Revenue

(Rs. in lakhs)

Items	II Plan			
	Accounts			
	1957-58	1958-59	1959-60	1960-61
1	2	3	4	5
Development expenditure (Revenue Account) :				
Economic Development ..	2,521.73 (47.48)	2,871.95 (48.69)	3,245.14 (48.40)	4,537.50 (50.53)
Social Services ..	1,271.98 (23.95)	1,385.54 (23.49)	1,574.43 (23.50)	1,904.02 (21.21)
Total Development Expenditure ..	3,793.71 (71.43)	4,257.49 (72.18)	4,819.57 (71.90)	6,441.52 (71.74)
Total Non-Development Expenditure	1,517.18 (28.57)	1,640.60 (27.82)	1,877.53 (28.04)	2,538.01 (28.26)
Total Expenditure met from revenue	5,310.89 (100.00)	5,898.09 (100.00)	6,697.10 (100.00)	8,979.53 (100.00)

Figures in bracket indicate percentage to total revenue expenditure.

Items	III Plan				
	Accounts				
	1961-62	1962-63	1963-64	1964-65	1965-66
1	6	7	8	9	10
Development expenditure (Revenue Account):					
Economic Development ..	4,730.41 (49.44)	3,869.76 (41.21)	4,028.98 (40.78)	4,290.04 (39.67)	5,023.23 (40.04)
Social Services ..	2,118.16 (22.13)	2,620.46 (27.91)	2,686.46 (27.20)	2,966.42 (27.42)	3,474.88 (27.69)
Total Development Expenditure .....	6,848.57 (71.57)	6,490.22 (69.12)	6,715.44 (67.98)	7,256.46 (67.09)	8,498.11 (67.73)
Total Non-Development Expenditure .....	2,720.28 (28.43)	2,899.49 (30.88)	3,163.60 (32.02)	3,558.86 (32.91)	4,048.6 (32.27)
Total Expenditure met from revenue	9,568.85 (100.00)	9,389.71 (100.00)	9,879.04 (100.00)	10,815.32 (100.00)	12,546.47 (100.00)

Figures in bracket indicate percentage to total revenue expenditure.

TABLE No. 14—contd.

(Rs. in lakhs)

1	K.E.		B.E.			
	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72
	11	12	13	14	15	16
Development expenditure (Revenue Account):						
Economic Development ..	5,312.46 (45.08)	5,658.34 (35.92)	8,353.92 (39.35)	7,088.56 (32.81)	8,241.23 (32.99)	8,715.28 (31.83)
Social Services ..	4,007.62 (26.46)	4,533.01 (28.78)	5,450.08 (25.67)	6,232.41 (29.05)	7,438.20 (29.41)	8,634.79 (31.54)
Total Development Expenditure ..	9,320.08 (61.54)	10,191.36 (64.70)	13,804.00 (65.02)	13,270.97 (61.86)	15,779.43 (62.40)	17,350.07 (63.37)
Total Non-Development Expenditure	5,824.11 (38.46)	5,566.93 (35.30)	7,424.82 (34.98)	8,182.84 (38.14)	9,597.93 (37.60)	10,029.34 (36.63)
Total Expenditure met from revenue	15,144.19 (100.00)	15,752.29 (100.00)	21,228.82 (100.00)	21,453.81 (100.00)	25,387.36 (100.00)	27,379.41 (100.00)
					(R.E.)	(B.E.)

Figures in bracket indicate percentage to total revenue expenditure.



4.1.3. The Average percentage composition of expenditure met from Revenue during the successive plan periods is presented below :

TABLE No. 15

Items	Average percentage composition of expenditure met from Revenue		
	II Plan (1957-58 to 1960-61)	III Plan (1961-62 to 1965-66)	Average over (15 years) 1957-58 to 1971-72)
<b>DEVELOPMENT EXPENDITURE :</b>			
Economic Development ..	48.79	42.23	40.96
Social Services ..	23.04	26.47	26.36
Total Development Expenditure ..	71.83	68.70	67.32
Total Non-Development Expenditure ..	28.17	31.30	32.68
Total Expenditure met from Revenue ..	100.00	100.00	100.00

It may be seen from the table that on an average the total expenditure met from Revenue is composed of total expenditure on Economic Development and Social Services sharing as much as 67.32 per cent consisting of 40.96 per cent under economic development and 26.36 per cent under social services and the balance of 32.68 per cent accounted by non-development expenditure.

4.1.4. The next thing that strike the eye is that there has been decline in the average percentage contribution to the total expenditure met from Revenue in respect of Economic Development from 48.79 per cent in II Plan to 42.23 per cent in III Plan. The average percentage contribution in respect of social services has exhibited an increase from 23.04 per cent in II Plan to 26.47 per cent in III Plan. A similar increase is also observed in respect of average contribution of non-development expenditure from 28.17 per cent in II Plan to 31.30 per cent in III Plan.

4.1.5. Thus, on an average it can be said that the expenditure met from Revenue is composed of two-third on Economic Development and Social Services and one-third non-development expenditure.

#### 4.2. *Growth of Expenditure on Economic Development and Social Services.*

4.2.1. The table No. 16 shows the growth of expenditure on Economic development and social services to the total development expenditure. From the table it could be seen that the total development expenditure which stood at Rs. 37.94 Crores in 1957-58 increased to Rs. 173.50 crores in 1971-72 or by 357 per cent. A similar increase is also noticed in respect of expenditure on Economic development and social services during the years 1957-58 and 1971-72.

4.2.2. Further, it could be seen that the percentage contribution of expenditure on Economic development started showing an increase at the first instance from 66.47 per cent in 1957-58 to 69.07 per cent in 1961-62 and thereafter showed a decrease. In case of expenditure on social services a converse position is observed. Between the II Plan and III Plan periods, there has been a decrease in the percentage share of expenditure on Economic development from 68.23 per cent to 61.28 per cent and a proportionate increase in respect of social services from 31.77 per cent to 38.72 per cent. Thus, on an average it can be said that the expenditure on economic Development and Social Services is spent at the rate of 58 and 42 per cents respectively.

TABLE No. 16

## Growth of Expenditure on Economic Development and social services

(Rs. in lakhs)

Sr. No.	Year (Accounts)	Total expenditure on		Expenditure on		Percentage to the total expenditure		
		Economic development and Social Services	Economic Development	Social Services	Economic Development	Social Services	Total	
1	2	3	4	5	6	7	8	
1.	1957-58	3,793.71	2,521.73	1,271.98	66.47	33.53	100.00	
2.	1958-59 ..	4,257.49	2,871.95	1,385.54	67.46	32.54	100.00	
3.	1959-60 ..	4,819.57	3,245.14	1,574.43	67.33	32.67	100.00	
4.	1960-61 ..	6,441.52	4,537.50	1,904.02	70.44	29.56	100.00	
Total of II Plan		19,312.29	13,176.32	6,135.97	68.23	31.77	100.00	
5.	1961-62 ..	6,848.57	4,730.41	2,118.16	69.07	30.93	100.00	
6.	1962-63 ..	6,490.22	3,869.76	2,620.46	59.62	40.38	100.00	
7.	1963-64 ..	6,715.44	4,028.98	2,686.46	60.00	40.00	100.00	
8.	1964-65 ..	7,256.46	2,490.04	2,966.42	59.12	40.88	100.00	
9.	1965-66 ..	8,498.11	5,023.23	3,474.88	59.11	40.89	100.00	
Total of III Plan		35,808.80	21,942.42	13,866.38	61.28	38.72	100.00	
10.	1966-67 ..	9,320.08	5,312.46	4,007.62	57.00	43.00	100.00	
11.	1967-68 ..	10,191.36	5,658.35	4,533.01	55.52	44.48	100.00	
12.	1968-69 ..	13,804.00	8,353.92	5,450.08	60.52	39.48	100.00	
13.	1969-70 ..	13,270.97	7,038.56	6,232.41	53.04	46.96	100.00	
14.	1970-71 (B.E.)	15,779.43	8,341.23	7,438.20	52.86	47.14	100.00	
15.	1971-72 (B.E.)	17,350.07	8,715.28	8,634.79	50.23	49.77	100.00	
Total over 15 years		1,34,837.00	78,538.54	56,298.46	58.25	41.75	100.00	

### 4.3. Composition of Expenditure on Economic Development and Social Services :

4.3.1. The expenditure on Economic Development comprises items such as Agriculture and Animal Husbandry, Co-operation and Rural Development, Multipurpose

River Schemes, Irrigation and Electricity Schemes, Public Works, Community Development Project, National Extension Scheme, and Local Development Works, Forests, Industries, Roads and Water Scheme and others. All the expenses under the heads 'Education, Medical, Public Health and Family Planning, Labour and Employment, and Social Welfare and other developmental organisation were clubbed under a group of 'Social Services'.

4.3.2. The average percentage composition of expenditure on Economic Development and Social Services over the Plan periods is presented in Table No. 17. It may be observed from the table that during the II Plan period expenditure on social services comprising education, medical and public health, etc., contributed as much as 31.77 per cent to the total development expenditure and the balance of 68.23 per cent being shared by the sectors that compose Economic Development. During this period, it can be seen that industrial development shared the maximum with 33.45 per cent followed by public works with 10.42 per cent.

4.3.3. The situation during the third plan period showed an increase in the percentage share of expenditure on social services to 38.72 per cent and the balance of 61.28 per cent shared by the sectors that comprise Economic Development. It is pertinent to notice that during the same period, the percentage share of expenditure on Industries declined to 17.43 per cent which is almost half of that registered during the II Plan. The decline noticed is due to the formation of Mysore Iron and Steel Works and Cement Plant at Bhadravathi into a joint stock company from 1st April 1962 and the Kolar Gold Mining undertakings having been taken over by the Centre with effect from 1st December 1962. Thus during the third plan period the percentage share of expenditure on public works, multi-purpose river schemes, Irrigation and Electricity schemes, Agriculture and Animal Husbandry and Forest has exhibited an increase over the percentage share in II Plan period.

TABLE No. 17

Average percentage composition of expenditure on Economic Development and social services (met from Revenue Accounts) in Karnataka

Sl. No.	Item	II Plan (1957-58 to 1961-62)	III Plan (1961-62 to 1965-66)	Average for 15 Years from 1957-58 to 1971-72
<b>I. Economic Development :</b>				
1.	Agriculture and Animal Husbandry ..	4.36	6.26	7.01
2.	Co-operation and Rural Development ..	1.82	1.33	2.39
3.	Multipurpose River Schemes, Irrigation and Electricity Schemes.	5.91	8.58	11.74
4.	Public Works ..	10.42	15.96	12.15
5.	Community Development, National Extension Scheme and Local Development Works.	4.09	4.40	3.44
6.	Forests .. ..	4.47	6.23	5.28
7.	Industries .. ..	33.45	17.43	15.25
8.	Road and Water Transport Scheme ..	3.22	0.82	0.68
9.	Others .. ..	0.22	0.27	0.30
<b>II. social services</b>				
1.	Education .. ..	21.73	26.40	23.44
2.	Medical and Public Health and Family Planning.	7.68	9.24	9.38
3.	Labour and Employment .. ..	0.15	0.78	0.69
4.	Social Welfare and other Development Organisation.	2.21	2.30	3.25
Total expenditure on Economic Development and Social Services.		100.00	100.00	100.00

4.3.4. In general, the average composition of expenditure has been of 36.76 per cent under Social Services and the balance of 63.24 under Economic Development.

4.3.5. Of the 63.24 per cent share of expenditure on Economic Development, as much as 15.25 per cent is shared by Industries, 12.15 per cent is shared by public works,

11.74 per cent by multipurpose River Schemes, Irrigation and Electricity Schemes, 7.01 per cent by Agriculture and Animal Husbandry and the balance of 17.09 per cent collectively share by Co-operation and Rural Development, Community Development Project, National Extension Scheme, and Local Development Works, Roads and Water Transport Scheme and others. While the percentage share of 36.76 percentage share of 23.44 percent under Education, 9.38 per cent under medical and public health and the balance of 3.94 per cent collectively by labour and employment and social welfare and other developmental organisations.

#### 4.4. *Composition of Capital Disbursement :*

4.4.1. We shall now study the composition of total disbursement met from capital account and directions in which the resources were spent during the course of 15 years chosen for the study *viz.*, 1957-58 to 1971-72. Before proceeding to study the composition of total disbursement and the actual trends in capital expenditure, it is necessary to know on what items that capital expenditure is incurred by the State. The capital expenditure is incurred on such of those items which are intended for generally creating concrete assets of a material character or of recurring liabilities like pension payments. In this context, it may be said that a certain part of capital expenditure is also met from Revenue particularly works of a less than a certain value. The rest alone are treated as capital expenditure outside the revenue account.

#### 4.5. *Composition of capital disbursement : (Not met from Revenue)*

4.5.1. The capital disbursement is composed of expenditure on capital outlays (Development and non-development), Public debt discharged and loans and advances by State Government. Table No. 18 presents the percentage of development and non-development under capital outlays, public debt discharged and loans and

advances by State Government to total capital disbursement from 1957-58 to 1971-72.

4.5.2. The total disbursement which was at Rs. 27.74 crores in 1957-58 increased to Rs. 115.52 crores in the year 1971-72 or by 316 per cent. However, the share of capital outlay in the total disbursement decreased from 60.55 per cent in 1957-58 to 33.67 per cent in 1971-72. In absolute terms, the expenditure on capital outlay comprising development and non-development increased more than two times from Rs. 16.80 crores in 1957-58 to Rs. 38.90 crores in 1971-72. Public Debt disbursed which stood at Rs. 6.66 crores or 24.12 per cent in the total disbursement in 1957-58 increased to Rs. 53.05 crores or 45.92 per cent in 1971-72. A similar increase is also noticed in respect of expenditure on loans and advances to the total disbursement from Rs. 4.28 crores in 1957-58 to Rs. 23.57 crores in 1971-72.

4.5.3. The average percentage composition of capital disbursement during the successive plan periods is given in the table No. 19. From the table, it could be seen that on an average as much as 49.42 per cent is shared by the development expenditure, 0.92 per cent by non-development and the balance of 49.66 per cent shared by public debt and loans and advances by State Government at an average rate of 26.00 per cent and 23.66 per cent respectively.

4.5.4. The next thing that prominently strikes the eye on seeing the table No. 19 is that there has been a decline in the percentage contribution in respect of development outlay from 59.67 per cent in Second Plan to 51.95 per cent in the Third Plan. A similar decrease is noticed in the average percentage composition of Non-development expenditure to total disbursement from Second Plan to Third Plan. While decreasing trend was visible in the average percentage composition in respect of Development and non-development expenditure, an increasing trend was observed in the percentage contribution of public debt discharged and loans and advances by State Government.

TABLE No. 18

## Composition of Capital Disbursement

(Rs. in lakhs)

Sl. No.	Items/Year	II Plan			
		Accounts			
		1957-58	1958-59	1959-60	1960-61
1	2	3	4	5	6
1.	Capital outlay (Development and Non-Development outlay).	1,679.88 (60.55)	1,750.61 (65.00)	1,905.14 (60.16)	3,053.76 (87.24)
2.	Public debt disbursed	666.11 (24.12)	307.40 (11.42)	503.92 (15.91)	498.81 (10.98)
3.	Loans and advances by State Government.	428.26 (15.43)	634.01 (23.58)	758.21 (23.93)	989.48 (21.78)
4.	Total capital disbursements	2,774.25 (100.00)	2,692.02 (100.00)	3,167.27 (100.00)	4,542.05 (100.00)

Note:— Figures in bracket indicate percentage to the total capital disbursement.



TABLE No. 18—*contd.*

(Rs. in lakhs)

Sl. No.	Items/Year	III Plan				
		Accounts				
		1961-62	1962-63	1963-64	1964-65	1965-66
1	2	7	8	9	10	11
1.	Capital outlay (Development and Non-Development outlay).	3,305.52 (59.69)	3,179.27 (60.50)	3,402.03 (54.17)	22,88.58 (37.20)	3,361.53 (41.08)
2.	Public debt disburse	1,322.83 (23.91)	907.93 (17.27)	1,688.79 (26.90)	1,103.50 (18.44)	2,304.74 (28.16)
3.	Loans and advances by State Government.	907.31 (16.40)	1,168.94 (22.23)	1,188.55 (18.93)	1,996.04 (33.36)	2,517.17 (30.76)
4.	Total capital disbursement	5,535.66 (100.00)	5,256.14 (100.00)	6,279.37 (100.00)	5,984.12 (100.00)	8,183.44 (100.00)

Note—Figures in bracket indicate percentage to the total capital disbursement.

TABLE No. 13—contd.

(Rs. in lakhs)

Sl. No.	Items/Year	Accounts					
		1933-67	1937-68	1938-69	1969-70	1970-71 (R.E.)	1971-72 (B.E.)
1	2	12	13	14	15	16	17
1.	Capital outlay (Development and Non-Development outlay).	3,825.49 (43.97)	3,859.24 (40.28)	5,893.81 (43.09)	5,796.58 (38.21)	4,600.93 (39.18)	3,889.81 (33.67)
2.	Public debt disbursed ..	2,685.48 (30.87)	2,512.76 (26.22)	4,115.24 (30.11)	5,492.55 (36.20)	5,199.39 (43.70)	5,305.26 (45.92)
3.	Loans and advances by State Government.	2,183.44 (25.16)	3,210.76 (33.50)	3,663.61 (26.80)	3,883.21 (25.59)	2,036.77 (17.12)	2,357.44 (20.41)
4.	Total capital disbursement ..	8,699.41 (100.00)	9,582.76 (100.00)	13,672.66 (100.00)	15,172.34 (100.00)	11,897.09 (100.00)	11,552.51 (100.00)

Note.—Figures in bracket indicate percentage to the total capital disbursement.

to the total disbursement from 36.76 per cent in the Second Plan to 47.27 per cent in the Third Plan. Thus, a considerable portion of capital expenditure is directed towards the repayment of public debt and loans and advances by State Government. Further, it is observed that over the period of 15 years on an average, nearly half of the total expenditure is incurred on developmental purposes.

TABLE No. 19

Average percentage composition of capital disbursement in Karnataka.

Items	II Plan (1957-58 to 1960-61)	III Plan (1961-62 to 1965-66)	Average over 15 years from 1957-58 to 1971-72
1	2	3	4
<b>CAPITAL EXPENDITURE :</b>			
Development .. .. .	59.67	51.95	49.42
Non-Development .. .. .	3.57	0.73	0.92
Public debt discharged .. .. .	15.53	22.94	26.00
Loans and advances by State Government .. .. .	21.81	24.33	23.66
Total disbursement .. .. .	100.00	100.00	100.00

#### 4.6. Composition of Development Expenditure met from Capital :

4.6.1. Development expenditure met from capital account comprises items such as 'construction of Irrigation, Navigation, Embankment and Drainage Works', (Commercial and Non-commercial), 'Improvement of Public Health', 'Industrial and Economic Development', 'Public Works', 'Roads and Water Transport Schemes' and 'others' (Irrigation, Power, Ports and Pilotage outside the revenue account).

4.6.2. In an era of planning and development, capital expenditure assumes a great deal of importance in terms of sheer magnitude alone. It has also got its economic

effects depending on whether the projects financed by capital expenditure are quick yielding or long yielding in economic benefits. Besides, the capital expenditure has also its impact on the Revenue budget of the State.

4.6.3. Let us now examine the components of development expenditure and analyse the trend noticed to the total development expenditure. We have already seen that on an average nearly half of the expenditure is spent on developmental purpose out of the total capital disbursement. Table No. 20 presents the components of development expenditure and its relative share to the total development expenditure from 1957-58 to 1971-72.

4.6.4. A glance at the table brings home that the total development expenditure which was of the order of Rs. 14.12 crores during 1957-58 increased more than 2½ times to Rs. 39.42 crores during 1971-72.

TABLE No. 20

## Composition of Development Expenditure (Not met from Revenue)

(Rs. in lakhs)

Sl. No.	Items/Years	II Plan			III Plan					
		Accounts								
		1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	
1	2	3	4	5	6	7	8	9	10	
<b>Development Expenditure :</b>										
1.	Construction of Irrigation Navigation, Embankment and Drainage works (commercial and non-commercial).	611.75 (43.31)	647.98 (39.33)	664.93 (35.08)	892.62 (29.45)	898.61 (27.68)	890.06 (27.12)	1,089.20 (32.32)	1,042.39 (37.20)	
2.	Improvement of public Health ..	11.12 (0.79)	14.94 (0.91)	19.30 (1.02)	10.69 (0.72)	23.25 (0.72)	110.83 (3.38)	61.80 (1.83)	50.51 (1.79)	
3.	Industrial and Economic Development.	189.78 (18.43)	219.23 (13.31)	163.82 (8.64)	299.23 (9.87)	320.19 (9.86)	255.03 (7.77)	52.66 (1.56)	-9.59 (-0.34)	
4.	Public Works ..	217.55 (15.40)	302.89 (18.38)	399.16 (21.06)	872.72 (28.80)	1,004.49 (30.94)	803.88 (24.49)	726.39 (21.56)	687.91 (24.55)	
5.	Electricity Schemes ..	274.53 (19.44)	312.44 (18.96)	510.47 (26.93)	813.75 (26.85)	930.50 (28.66)	1,187.82 (36.19)	1,390.07 (41.25)	997.26 (35.59)	
6.	Roads and Water Transport Schemes	57.60 (4.08)	102.51 (6.22)	94.86 (5.01)	112.87 (3.72)	37.93 (1.17)				
7.	Others* ..	50.01 (3.54)	47.69 (2.89)	42.81 (2.26)	29.00 (0.96)	31.40 (1.05)	34.59 (1.48)	49.71 (1.48)	33.65 (1.81)	
	<b>Total Development ..</b>	<b>1,412.34 (100.00)</b>	<b>1,617.68 (100.00)</b>	<b>1,995.35 (100.00)</b>	<b>3,030.88 (100.00)</b>	<b>3,246.24 (100.00)</b>	<b>3,282.21 (100.00)</b>	<b>3,369.83 (100.00)</b>	<b>2,801.97 (100.00)</b>	

\*Note:—Irrigation, Power, Ports and Forests outside the Revenue Account.

Figures in bracket indicate percentages to the total development expenditure.

Table No. 20 (Contd).

(Rs. in lakhs)

		III Plan						
Sl.	Items/Years	Accounts						
		1965-66	1966-67	1967-68	1968-69	1969-70	1970-71 (R.E)	1971-72 (P.E)
1	2	11	12	13	14	15	16	17
<b>Development Expenditure</b>								
1.	Construction of Irrigation, Navigation, Embankment and Drainage works (Commercial and non-Commercial)	1,065.66 (34.12)	1,149.40 (31.30)	1,579.11 (37.00)	1,795.60 (34.16)	2,506.50 (40.62)	2,430.16 (47.66)	2,253.49 (57.17)
2.	Improvement of Public Health	3.31 (0.11)	35.03 (0.96)	68.02 (1.59)	117.28 (2.23)	146.75 (2.38)	86.07 (1.30)	116.75 (2.96)
3.	Industrial and Economic Development	478.25 (15.31)	680.11 (18.52)	1,011.60 (23.99)	2,224.35 (42.31)	526.68 (8.54)	1,104.78 (21.66)	1,024.23 (25.98)
4.	Public Works	749.00 (23.98)	799.34 (21.77)	761.32 (17.84)	740.26 (14.08)	695.97 (11.28)	725.20 (14.22)	425.45 (10.79)
5.	Electricity Schemes	793.50 (25.41)	976.73 (26.60)	819.55 (19.20)	878.08 (16.70)	2,267.32 (36.75)	725.90 (14.23)	25.00 (0.64)
6.	Roads and Water Transport Schemes	..	..	..	-522.31 (-9.94)	..	..	5.00 (0.13)
7.	Others*	33.40 (1.07)	31.22 (0.85)	28.96 (0.68)	23.91 (0.46)	26.81 (0.43)	47.35 (0.92)	92.00 (2.33)
<b>Total Development</b>		<b>3,123.12</b> (100.00)	<b>3,671.83</b> (100.00)	<b>4,267.96</b> (100.00)	<b>5,257.17</b> (100.00)	<b>6,170.03</b> (100.00)	<b>5,009.46</b> (100.00)	<b>3,941.92</b> (100.00)

\*Note :- Irrigation, Power, Posts and Forests outside the Revenue Account.

Figures in bracket indicate percentages to the total development Expenditure.

In the course of fifteen years, every component comprising development expenditure has shown absolute increase, but the relative share of each in the percentage composition varied differently. In respect of capital outlay on improvement of Public Health and Industrial and Economic development, although the scale of expenditure increased 18 times and 5 times respectively in absolute terms their percentage share increased from 0.79 and 18.43 percents in 1957-58 to 2.96 and 25.98 percents respectively during the year 1971-72. The expenditure on construction of Irrigation, Navigation, Embankment and Drainage Works (Commercial and Non-commercial) which was at Rs. 6.12 crores or 43.31 percent of development expenditure increased to Rs. 22.58 crores or 57.17 percent of the total expenditure during 1971-72.

By and large, it can be said that the major items of total development expenditure have been on construction of Irrigation, Industrial and Economic Development, Public Works and Electricity Schemes.

## CHAPTER V

### SUMMARY

#### 5.1. Total disbursement—trends and composition of:

5.1.1. During the period of 15 years from 1957-58 to 1971-72 under report, the total disbursement has grown more than four and a half times from Rs. 80.85 crores in 1957-58 to Rs.389.32 crores in 1971-72. The total expenditure which was Rs. 69.91 crores or 86.46 percent of the total disbursement during the year 1957-58 rose by nearly four and a half times to Rs. 312.69 crores during the year 1971-72. The increase in the total expenditure is significant in indicating the growing importance of the public sector.

*5.2. Average percentage composition of total disbursement in Karnataka.*

5.2.1. A study of the average percentage composition of total disbursement during the successive plan periods indicates that, on an average, the total disbursement is composed of total expenditure (Revenue and Capital) sharing as much as 82.22 percent (consisting of 61.12 percent development and 21.10 percent non-development expenditure), and the balance of 17.78 percent shared by public debt discharged and loans and advances by State Government on an average rate of 9.26 percent and 8.52 percent respectively. It is also evident that there has been a decline in the average percentage contribution to the total disbursement in respect of the development expenditure from 67.82 percent in the Second Plan to 62.38 in the Third Plan. A similar decrease is also observed in respect of non-development expenditure from 20.10 percent in Second Plan to 19.92 percent in Third Plan.

*5.3. Total expenditure—trends in growth and composition :*

5.3.1. The total expenditure of the State has increased as much as four and a half times from Rs. 69.91 crores in 1957-58 to Rs. 312.69 crores in 1971-72. The revenue expenditure has increased five fold over the above said period from Rs. 53.11 crores in 1957-58 to Rs. 273.77 crores during 1971-72. This increase in the total expenditure of the State is characterised by the increase in the revenue expenditure on one side and the increase in the non-development expenditure on the other side.

5.3.2. In terms of the classification into 'development' and non-development' expenditure, it can be said that in the course of 15 years from 1957-58 to 1971-72, in absolute terms, both the development and non-development expenditures have increased as many as four times and 5 times respectively. The rate of growth of non-develo-



ment expenditure appears faster than that of the development expenditure. The reasons for this increase can be attributed on very broad lines to revision of pay scales, increased D.A., enhanced interest charges and debt repayment charges.

#### 5.4. Average percentage composition of the total expenditure in Karnataka.

5.4.1. In Mysore State, on an average, the total expenditure is composed of 78.30 percent of Revenue expenditure and 21.61 percent of capital expenditure. During the Third Plan, revenue expenditure contributed on an average 76.39 percent of the total expenditure and capital 23.61 percent. The percentage contribution of these components during the Third Plan remained almost same without any appreciable increase or decrease.

5.4.2. The development expenditure which contributed on an average as much as 77.11 percent to the total expenditure in Second Plan has decreased to 75.71 percent during the Third Plan. Correspondingly, the share of non-development expenditure has shown a proportionate increase 22.89 percent in Second Plan to 24.29 percent in Third Plan.

5.4.3. It can be said that the average composition of the total expenditure in terms of development and non-development was of the order of 74.12 percent and 25.88 percent respectively. Thus, on an average, development expenditure has shared as much as three fourths of the total expenditure.

#### 5.5. Per capita, growth and composition of total expenditure.

5.5.1. Over the period of 15 years from 1957-58 to 1971-72, there were substantial changes in the per capita level of expenditure as also in the pattern of expenditure.

5.5.2. The percapita disbursement in 1957-58 was at Rs. 36.50 at current prices and it increased by more than three and a half times of Rs. 136.59 in 1971-72. On an average, the total disbursement in terms of per capita was of the order of Rs. 82.06.

5.5.3. It is seen that, on an average, the per capita total expenditure was Rs. 66.23. This average per capita total expenditure was composed of Rs. 52.60 revenue expenditure. During this period, the per capita revenue expenditure increased four times from Rs. 23.98 in 1957-58 to Rs. 96.06 in 1971-72, while the per capita capital expenditure increased nearly twice from Rs. 7.58 in 1957-58 to Rs. 13.65 in 1971-72.

5.5.4. In terms of the classification of 'development' and 'non-development' it can be said that the average composition of per capita expenditure of Rs. 66.23 has been of the order of 48.50 under development and the balance of 17.73 under non-development. During the Second Plan period, the average per capita development expenditure contributed as much as 29.83 to total expenditure, while during the Third Plan it rose to Rs. 41.84 in terms of per capita.

5.5.5. In general, it can be said that on an average the per capita total expenditure which was Rs. 66.23 was composed of four fifths under revenue expenditure and one fifth under capital expenditure or almost three fourths under development expenditure and one fourth under non-development expenditure. Thus, the era of planning had set the pace to the rapid growth of these components in terms of per capita to as many as four times in respect of revenue expenditure, nearly twice in respect of capital expenditure, more than three times in respect of development expenditure and four times in respect of non-development expenditure.

5.5.6. *Magnitude of central assistance to the total expenditure of the State.*

5.6.1. A study of the trend in the magnitude of central assistance to the total expenditure clearly indicates the extent to which central grants play a part in the Revenues of the State and its relative share in the total expenditure both on revenue account and capital account. The Centre contributes to the state revenue by way of shared taxes, grants in aid as per the recommendations of Finance Commission. During the 15 years period from 1957-58 to 1971-72, total resources transferred from centre to State rose to Rs. 125.27 crores (almost four and half times) in 1971-72. Against this increase of central assistance, the total expenditure of the State also increase four and a half times from Rs. 27.96 crores in 1957-58 to Rs. 125.27 crores in 1971-72. Each five year plan has witnessed an increasing quantum of financial assistance, the third plan providing as many as two and a half times of that of second plan.

5.6.2. On an average, the scale of financial assistance to the over all resources of the state has been of the order of 44.26 percent. In this connection, it may be mentioned that the plan expenditure which constitutes on an average 80 percent of the total expenditure is largely financed by the Centre.

5.7. *Comparative trends in Government expenditure in Southern States.*

5.7.1. From the analysis set forth on the comparative trends observed in Karnataka State with that obtaining in the other Southern States, viz., Andhra Pradesh, Tamil Nadu and Kerala it can be said in general that the trends observed as well as the composition of total expenditure under the classification Revenue and capital accounts and development and non-development were almost comparable with each other with an element of uniformity prevailing in them.

5.8. *Composition and growth of development expenditure.*

5.8.1. The total development expenditure met from Revenue and Capital accounts has increased more than four times from Rs. 52.06 crores in 1957-58 to Rs. 220.65 crores in 1971-72. This was characterised by an increase of more than four times of the development expenditure met from Revenue account from Rs. 37.94 crores in 1957-58 to Rs. 181.23 crores in 1971-72 and also of an increase of more than two and a half times of the development expenditure met from capital account from Rs. 14.12 crores in 1957-58 to Rs. 39.42 crores in 1971-72. On an average, as much as 72.26 percent of the development expenditure is met from Revenue account and the remaining 27.74 percent is accounted from the capital account.

5.8.2. Between the Second Plan and Third Plan periods, it is observed that there has been a decline in the percentage share of development expenditure met from Revenue account from 70.74 percent to 69.35 percent and a proportionate increase in the capital components of development expenditure from 29.26 per cent to 30.65 percent. The decline in the development expenditure was due to the decrease in the expenditure on economic development met out of the total revenue expenditure.

5.8.3. The growth of development expenditure classified as plan and non-plan indicate that at the beginning of the Third Plan, the development expenditure for plan purpose was of Rs. 37.48 crores or 37.13 percent of the development expenditure and the non-plan component of development expenditure was Rs. 63.47 crores or 62.87 percent of the total development expenditure. Over the period of 11 years, it is pertinent to notice that although there has been an increase in the plan component of development expenditure in absolute terms from 1961-62 to 1971-72, however, its share in the total development expenditure decreased from 37.13 percent to 30.56 percent. During

the same period, non-plan component of development expenditure increased as much as 241 percent over 1961-62 to Rs. 153.22 crores or 69.44 percent of the development expenditure.

5.8.4. On an average, the development expenditure is expended at the rate of 37 and 63 percents respectively.

5.9. *Average percentage composition of development expenditure.*

5.9.1. In the course of 15 years, every component comprising development expenditure has shown absolute increase, while the share of each in the percentage composition has varied differently. Development Expenditure includes infrastructure investment such as on Education, Public Health, Dams, Roads, Electricity, Irrigation, etc. It is observed that during the Second Plan period, expenditure on social services (Education Medical and Public Health) contributed 21.48 percent to the total development expenditure and the balance of 78.52 percent being shared by the sectors that compose economic development. Industrial development shared the maximum with 27.72 per cent followed by Electricity (21.27 percent) and Public Works (13.3b per cent). During the third plan, the percentage share of development expenditure on social services increased to 25.15 percent and the balance of 74.85 percent shared by Economic Development. It is pertinent to notice that the percentage share of development expenditure on Industrial development declined to 14.20 percent which is almost half of that registered during the Seond Plan. The sharp decline in the expenditure on Industrial development was due to tre conversion of Mysore Iron and Steel Works and Cement Plant Bhadravathi into a joint stock company from from 1st April 1962 and the transfer of Kolar Gold Mining undertaking to Centre from the 1st December, 1962.

5.9.2. On an average, the development expenditure is comprised of one fourth under social services and three fourth under economic development.

### *5.10. Expenditure on Economic Development and Social Services :*

5.10.1. The expenditure on Economic development met from Revenue account was Rs. 25.22 crores or 47.48 percent of the total expenditure in 1957-58 and it rose to Rs. 87.15 crores or 31.83 percent in 1971-72. The expenditure on social services also increased from Rs. 12.72 crores in 1957-58 to Rs. 86.35 crores in 1971-72.

### *5.11. Average percentage composition of Expenditure met from Revenue during the successive plan periods :*

5.11.1. It may be seen that on an average the total expenditure met from Revenue is composed of total expenditure on Economic development and social services contributing as much as 67.32 per cent and the balance of 32.68 per cent of non-development expenditure.

5.11.2. The next thing that strikes the eye is that there has been a decline in the average percentage contribution to the total expenditure met from Revenue in respect of Economic Development from 48.79 per cent in II Plan to 42.23 per cent in III Plan. The average percentage contribution on social services increased from 23.04 per cent in II Plan to 26.47 per cent in III Plan. A similar increase is also observed on the average percentage contribution of non-development expenditure.

5.11.3. It can be said on an average the expenditure met from Revenue is composed of two third on Economic development and social services and one third under non-development expenditure.

### *5.12. Growth of expenditure on Economic Development and Social Services.*

5.12.1. The total development expenditure on revenue account increased from Rs. 37.94 crores in 1957-58

to Rs. 173.50 crores in 1971-72 or by 357 per cent. A similar increase is also visible in respect of expenditure on social services and economic development. It is also observed that between the II and III Plan periods that on an average that there has been a decline in the percentage share on Economic development from 68.23 per cent to 61.28 per cent and a proportionate increase in respect of social services from 31.77 per cent to 38.72 per cent.

5.13. *Average percentage composition of Expenditure on Economic development and social services over the plan periods :*

5.13.1. A study on the average percentage composition of Economic development and social services indicates that during the II Plan period, expenditure on social services (Education, Medical and Public Health etc.) contributed 31.77 per cent to the development expenditure and the balance of 68.23 per cent by the sectors that compose economic development. The average percentage share on Industrial Development was maximum with 33.45 per cent followed by public works with 10.42 per cent.

5.13.2. The situation during the III Plan period showed an increase in the percentage share of expenditure on social services to 38.72 per cent and the balance of 61.28 per cent shared by economic development. It is pertinent to notice that the percentage share on Industrial development declined to 17.43 per cent which is almost half of that registered during the III Plan.

5.13.3. In general, it can be said that the average composition of expenditure has been of 36.76 per cent under social services and the balance of 63.24 under economic development.

#### 5.14. *Comoposition of capital disbursement :*

5.14.1. The capital disbursement is composed of expenditure on capital outlays (development and non-development), public debt discharged and loans and advances by State Government.

5.14.2. In 1957-58 the total disbursement was Rs. 27.74 crores and it rose to Rs. 115.52 crores in 1971-72 or by 316 per cent. However, the percentage share of capital outlay (development and non-development) to the total disbursement decreased from 60.55 per cent in 1957-58 to 33.67 per cent in 1971-72. In absolute terms, the expenditure on capital outlay increased from Rs. 16.80 crores in 1957-58 to 38.90 crores in 1971-72. Public debt discharged and loans and advances have also increased in absolute terms during the years 1957-58 and 1971-72.

#### 5.15. *Average percentage composition of capital disbursement :*

5.15.1. The average percentage composition of capital disbursement over the plan periods indicate that on an average that 49.42 per cent is shared by the development expenditure, 0.92 per cent non-development expenditure and the balance of 49.66 per cent collectively shared by public debt discharged and loans and advances by State Government at an average rate of 26.00 per cent and 23.66 per cent respectively.

5.12.2. It is also observed that there has been a decline in the percentage share on development out-lay from 59.67 per cent in II Plan to 51.59 per cent in the III Plan, while decreasing trend was visible in the average percentage contribution in respect of capital out-lay (development and non-development), an increasing trend was observed in the percentage contribution of public debt discharge and loans and advances by State Government to total disbursement from 36.76 per cent in II Plan period to



47.24 per cent in III Plan period. Thus, a considerable portion of capital expenditure is directed towards the repayment of public debt and loans and advances by State Government.

5.15.3. It can be said roughly that over the 15 years period, on an average, nearly half of the total expenditure is incurred on development purposes.

5.16. *Composition of development expenditure met from capital :*

5.16.1. A study on the composition of development expenditure met from capital account reveal that the expenditure on public health increased from Rs. 2.18 crores in 1957-58 to Rs. 4.25 crores in 1971-72 (9.6 per cent) and on Industrial and Economic Development from Rs. 1.90 crores in 1957-58 to Rs. 10.24 crores in 1971-72 (340 per cent).

5.16.2. By and large, it can be said that the major items of development expenditure have been towards construction of Irrigation, Embankment, Drainage etc., public works and Electricity Schemes. The investments on these infrastructures will help to build a good economic base of the State.

5.16.3. Generally, it can be said that during the 15 years from 1957-58 to 1971-72 there has been a shift from development to non-development expenditure, which is not a healthy trend desirable from the development point of view. The increase in non-development is due to revision of pay scales, increased D.A., enhanced interest charges and debt payment obligation. Due to increase in population and inflation the cost of providing Social services has also increased.

## ANNEXURE

TO THE REPORT ON THE GROWTH OF DEVELOPMENT  
EXPENDITURE IN KARNATAKA STATE.

1.1. In the main report on the Growth of Development Expenditure in Karnataka State, an analysis of the structure and the composition of the total disbursement of the State, the relative share and trends in the growth of development expenditure, public debt discharged, Loans and advances has been made for the period 1957-58 to 1971-72. While completing this report the actual figures for the years 1970-71 and 1971-72 were not available and as such, revised estimates for 1970-71 and Budget estimates for 1971-72 were made use for purpose of analysis. Now, the actual figures are available for these two years and also the revised estimates for the year 1972-73 and budget estimates for 1973-74. Accordingly, an analysis indicating the growth and composition of development expenditure in the State has been reviewed and presented in this annexure. An attempt has been made to review and highlight the important items such as total disbursement of the State, development and non-development expenditure during 1957-58 and 1973-74.

1.2. For details of the nature of budgetary data and its significance, the main report may please be perused.

## TOTAL DISBURSEMENT—TRENDS AND COMPOSITION

2.1. The total disbursement under revenue and capital accounts in the State increased from Rs. 80.85 crores during 1957-58 to Rs. 551.12 crores during 1973-74. During the year 1957-58 the total expenditure was Rs. 69.91 crores or 86.46 per cent of the total disbursement. This has increased by nearly six and a half times to Rs. 451.68 Crores or 81.96 per cent of the total disbursement during 1973-74. It is however observed that the percentage share of development expenditure to the total disbursement has decreased from 64.39 per cent in 1957-58 to 50.37 per cent in 1973-74.

2.2. The average percentage composition of total disbursement during the period from 1957-58 to 1973-74 is presented in Table No. I.

TABLE No. 1

## Average percentage composition of total disbursement of Karnataka State.

<i>Items</i>	<i>Second Plan</i> (1957-58 to 1960-61)	<i>Third Plan</i> 1961-62 to 1965-66	<i>Average over</i> 17 years from 1957-58 to 1973-74
1	2	3	4
<i>Expenditure both Revenue and Capital account</i>			
Development ..	67.82	62.83	59.96
Non-Development ...	20.10	19.92	22.06
<b>Total</b> ..	<b>87.92</b>	<b>82.30</b>	<b>82.02</b>
<i>Public Debt discharged</i> ..	5.15	8.62	9.69
<i>Loans and Advances by State Government.</i>	6.93	9.08	8.38
<b>Total Disbursement</b> ..	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

2.3. It follows from the above table that on an average out of the total disbursement, the percentage of expenditure under Revenue and Capital account is 82.62 per cent comprising development (59.96 per cent) and non-development expenditure (22.00 per cent). The balance is shared by Public Debt discharge (9.60 per cent) and Loans and Advances by State Government (8.88 per cent). It is also evident that there has been a decline in the average percentage contribution to the total disbursement in respect of development as well as non-development expenditure from Second Plan to Third Plan. But an increase has been noticed in respect of Public Debt discharged, and Loans and advances by State Government in the afforesaid plan periods.

## GROWTH OF TOTAL EXPENDITURE IN THE STATE

3.1. The total expenditure of the State (both on Revenue and Capital account) increased from Rs. 69.91 crores in 1957-58 to Rs. 451.68 crores in 1973-74. However, the share of development expenditure in the total expenditure decreased from 74.47 per cent in 1957-58 to 61.46 per cent in 1973-74. On the other hand, the share of non-development expenditure increased from 25.53 per cent to 38.54 per cent during 1957-58 and 1973-74 respectively.

3.2. In absolute terms, both development and non-development expenditure have increased as many as five times and nearly ten times respectively. In the course of 17 years from 1957-58 to 1973-74, the increase in the total expenditure in the State is attributed to the increase in the revenue expenditure on one side and the increase in the non-development expenditure on the other.

3.3. To study the relative importance of development and non-development expenditure of the State in the total expenditure an attempt has also been made by working out the rate of growth of the expenditure and share of developmental items in the increased expenditure. The table No. II gives the details of the rate of growth and additional expenditure of the State.

TABLE II

Rate of Growth and Additional Expenditure of the State.

Items of Expenditure	1957-58	1973-74	Rate of Growth and Additional Expenditure of the State.	
			Additional total Expenditure during 1957-58 and 1973-74	Rate of growth of total Expenditure(%)
1	2	3	4	5
Development ..	5,206.05 (74.47)	27,758.59 (61.46)	+22,552.54 (59.07)	433
Non-Development ..	1,784.72 (25.53)	17,409.47 (38.54)	+15,624.75 (40.93)	875
Total ..	6,990.77 (100.00)	45,168.06 (100.00)	+38,177.29 (100.00)	546

4.1. From the above table it is revealed that the rate of growth of the total expenditure was 546 per cent during 1957-58 and 1973-74. Out of this, the share of development and non-development expenditure was 433 per cent and 875 per cent respectively. The rate of growth of non-development expenditure is increasing rapidly and this is the principle constraints on the growth of economy in developing State. The increase in non-development expenditure is mainly due to revision of pay and allowances and mounting interest liabilities.

4.2. The total increased expenditure during 1957-58 and 1973-74 was Rs. 381.77 crores. Of the total expenditure the

percentage share of development expenditure was 59.07 per cent and the remaining 40.93 per cent accounted by non-development items.

TABLE No. III

## Expenditure as a percentage of State Income in Karnataka State.

(Rs. in Crores)

Year	State Income	Total Expenditure	Development Expenditure	Non-Development Expenditure
1	2	3	4	5
1957-58 ..	552.08	69.91 (12.66)	52.06 (9.42)	17.85 (3.24)
1971-72 ..	1,630.61*	317.95 (19.50)	224.63 (13.78)	93.32 (5.72)

\*Quick Estimates—Figures available for 1971-72 only. The figures in brackets indicates the percentage of Expenditure to the State Income.

5.1. The expenditure of the State is further judged by working out the percentage of expenditure to the State Income.

5.2. During the year 1957-58 the total expenditure which was Rs. 69.91 crores or 12.66 per cent of the total State Income increased to Rs. 317.95 crores or 19.50 per cent in 1971-72.

5.3. In the year 1957-58, the Development expenditure constituted 9.42 per cent of the State Income and it further moved up to 13.78 per cent 1971-72. On the other hand the non-development expenditure shifted from 3.24 to 5.72 per cent during the same period. Therefore, the ratio of development expenditure as the percentage of State Income declined in 1971-72 over 1957-58.

#### 6. Per capita, growth and composition of total Expenditure.—

6.1. In discussing the role of development and non-development expenditure, it is necessary to consider the per capita total disbursement, per capita total expenditure, development and non-development expenditure. The per capita total disbursement in 1957-58 was at Rs. 36.50 at current prices. In the course of 17 years the per capita total disbursement has increased to nearly five times to Rs. 177.82 in 1973-74. On an average for 17 years the total disbursement in terms of per capita was of the order of Rs. 92.45

6.2. In 1957-58 the per capita expenditure was Rs. 31.56 and it rose to Rs. 145.74 in 1973, i.e., an increase of Rs. 114.18 in terms of classification of 'development' and 'non-development' expenditure. The average composition of the per capita total expenditure of Rs. 74.60 consists of Rs. 46.91 under development expenditure and the balance of Rs. 27.69 under non-development expenditure.

6.3. During the 17 years period 1957-58 to 1973-74, on an average, the per capita total expenditure which was at Rs. 74.60 was composed of four-fifths under Revenue expenditure and one-fifth under capital expenditure or almost three-fourth under development expenditure and slightly more than one-fourth under non-development expenditure. During 1957-58 and 1973-74 there is an increase in the growth of these components in terms of per capita as many as six times in respect of Revenue expenditure, two and a half times under Capital expenditure, four times under development expenditure and seven times in respect of non-development expenditure.

#### 7. Total expenditure classified as plan and non-plan Expenditure (Revenue and Capital).—

7.1. The total plan expenditure comprising development (Rs. 3,748.19 lakhs) and non-development (Rs. 16.39 lakhs) increased from Rs. 3,764.58 lakhs during 1961-62 to Rs. 8,208.92 lakhs during 1973-74 which comprises Rs. 8,026.25 lakhs under development and Rs. 182.67 lakhs under non-development. On the other hand non-plan expenditure has also increased from Rs. 9,109.79 lakhs in 1961-62 to Rs. 36,959.14 lakhs in 1973-74.

7.2. During the period 1961-62 to 1973-74 it is revealed that the share of plan expenditure to the total expenditure is declining from 29.24 per cent to 18.17 per cent. Whereas there is an increasing trend in the share of non-plan expenditure from 70.76 per cent to 81.83 per cent during the same period.

#### 8. Magnitude of Central assistance to the total expenditure of the State.—

8.1. The trend in the magnitude of Central assistance to the expenditure of the State during the 17 years period, i.e., from 1957-58 to 1973-74 has increased eight times from Rs. 27.96 crores to Rs. 228.28 crores. Against this, the total expenditure of the State has increased six times from Rs. 69.91 crores during 1957-58 to Rs. 451.68 crores in 1973-74. The scale of Central financial assistance to the total expenditure of the state was in the order of Rs. 245.06 crores and Rs. 228.28 crores during 1972-73 (RE) and

1973-74 (B.E.) respectively. It is pertinent to note that the Central financial assistance during these two years is conspicuous to the total expenditure of the State during the period of 17 years. On an average, the share of Central financial assistance to the total expenditure has been of the order of 47.65 per cent.

### 9. *Composition and growth of Development Expenditure.—*

9.1. The development expenditure met from Revenue and Capital accounts has increased nearly five and a half times from Rs. 52.06 crores in 1957-58 to Rs. 277.59 crores during 1973-74. This was accounted by an increase of nearly six times of the development expenditure met from Revenue accounts from Rs. 37.94 crores in 1957-58 to Rs. 222.42 crores in 1973-74 and also an increase of almost four times of the development expenditure met from capital accounts from Rs. 14.12 crores in 1957-58 to Rs. 55.17 crores in 1973-74. On an average, the development expenditure under Revenue accounts constitutes 73.43 per cent and the remaining 26.65 per cent is accounted by the capital accounts.

9.2. At the beginning of the III Plan in 1961-62 the development expenditure for Plan purpose was of Rs. 37.48 crores or 37.13 per cent of the development expenditure and non-plan component of the development expenditure was of the order of Rs. 63.47 crores or 62.87 per cent of the total development expenditure. In 1973-74 the development expenditure under Plan was of the order of Rs. 80.26 crores (28.91 per cent) and non-plan expenditure was Rs. 197.32 crores (71.09 per cent of the total development expenditure).

9.3. During the 13 year period, the Plan component increased from Rs. 37.48 crores in 1961-62 to Rs. 80.26 crores in 1973-74 or by 114 per cent.

9.4. It is interesting to note that there has been an increase in the Plan component of the development expenditure in absolute terms from 1961-62 to 1973-74. However, in terms of percentages, the share of total development expenditure decreased from 37.13 per cent to 28.91 per cent. On the other hand, the share of non-development expenditure under Plan increased from Rs. 63.46 crores or 62.87 per cent to Rs. 197.32 crores or 71.09 per cent during the above said period.

9.5. On an average, the development expenditure classified as Plan and Non-Plan purposes is spent at the rate of 34 and 66 per cent respectively.

9.6. In sum, the broad conclusion emerges that there has been a shift towards non-Plan expenditure during the 13 years under consideration.

#### 10. AVERAGE COMPOSITION OF DEVELOPMENT EXPENDITURE

10.1. The average percentage composition of the Development expenditure over the plan periods is presented in table No. IV. Let us now examine the composition and the direction of Change during the 17 years (1957-58 to 1973-74). The average composition of development expenditure (Revenue and capital) has been 26.96 per cent under social Services and the balance of 73.04 per cent under economic development. Of the 73.04 per cent of share of development expenditure on economic developments, 25.03 per cent is shared by Multipurpose river schemes, irrigation, etc., 16.68 per cent by Industrial development, 14.57 per cent by Public Works, 4.64 per cent by Agriculture and Animal Husbandry and balance of 12.12 per cent collectively shared by Co-operation Rural Development (1.68 per cent), Community Development, National Extension Service and Local Development Works (2.57 per cent), Forests (3.80 per cent) and others (4.07 per cent). While the average percentage of 26.96 per cent is composed of 19.83 per cent under education and 7.13 per cent under medical and public health.

TABLE No. IV  
Average Composition of Development Expenditure.

Sl. No.	Items	Average over 17 years from		
		II Plan 1957-58 to 1960-61	III Plan (1961-62 to 1965-66	1957-58 to 1973-74
1	2	3	4	5
1.	Agriculture and Animal Husbandry ..	3.13	4.26	4.64
2.	Co-operation and Rural Development, Multipurpose river scheme, Irrigation.	1.37	0.92	1.68
3.	Navigation and Electricity schemes ..	21.27	25.94	25.03
4.	Community Development Project, National Extension Schemes and Local Develop- ment Works.	2.90	3.04	2.57
5.	Public Works .. ..	13.34	18.86	14.57
6.	Industrial Development .. ..	27.72	14.20	16.68
7.	Road and Water Transport Scheme ..	3.00	10.65	0.74
8.	Forest .. ..	3.37	4.32	3.80
9.	Education .. ..	15.74	18.22	19.83
10.	Medical and Public Health .. ..	5.74	6.93	7.13
11.	Others (Residual) .. ..	2.42	2.66	3.33
12.	Total Development .. ..	100.00	100.00	100.00



10.2. The average percentage composition of expenditure met from Revenue during the successive Plan periods is presented in Table No. V.

TABLE No. V.

Item	Average percentage composition of Expenditure met from Revenue			
	II Plan 1957-58 to 1960-61	III Plan 1961-62 to 1965-66	Average over (17 years) 1957-58 to 1973-74	
	1	2	3	4
<i>Development Expenditure :</i>				
Economic Development .. ..	48.79	42.23	39.84	
Social Services .. ..	23.04	26.47	26.54	
Total Development Expenditure .. ..	71.83	68.70	66.38	
Total Non-Development Expenditure .. ..	28.17	31.30	33.62	
Total Expenditure met from Revenue .. ..	100.00	100.00	100.00	

10.3. It is seen from the above table that on an average the total development expenditure (66.38 per cent) met from Revenue is composed of expenditure on Economic Development (39.84 per cent) and Social Services (26.54 per cent). The balance of 33.62 per cent is accounted by non-development expenditure. Further, it is also seen that there has been decline in the average percentage contribution met from revenue in respect of economic development from Second Plan to Third Plan. But the average percentage contribution in respect of social services has exhibited an increase during the above said period.

10.4. In general, it can be said on an average the expenditure from revenue is spent at the rate of two third on economic development and Social Services and one third under non-development items.

## 11. GROWTH OF EXPENDITURE ON ECONOMIC DEVELOPMENT AND SOCIAL SERVICES

11.1. The total expenditure on economic development and Social Services met from Revenue increased from Rs. 37.94 crores in 1957-58 to Rs. 222.42 crores during 1973-74. However, the share

of economic development in the total expenditure decreased from 66.47 per cent in 1957-58 to 52.54 per cent in 1973-74. Whereas the share of expenditure under social services increased from 33.53 per cent in 1957-58 to 47.46 per cent in 1973-74.

11.2. On an average for 17 years from 1957-58 to 1973-74 it is seen that the total expenditure is composed of 56.93 per cent under economic development and 43.07 per cent under social services. Out of 56.93 per cent of expenditure under economic development, the percentage of expenditure on Industries to total expenditure on Economic development and Social Services was 14.00 per cent, Public Works (11.49 per cent), Multipurpose river Scheme, Irrigation and Electricity Schemes (9.71 per cent), Agriculture and Animal Husbandry (6.68 per cent), forests (5.37 per cent), Community Development Project, National Extension Services and Local Development Works (3.41 per cent), Co-operation and Rural Development (2.88 per cent) and others (0.86 per cent).

The percentage of expenditure on Education (30.48 per cent) was the major items under Social Services which was followed by Medical and Public Health (10.28 per cent) and others (4.84 per cent).

## 12. COMPOSITION OF CAPITAL DISBURSEMENT

12.1. The Capital disbursement comprises of expenditure on capital outlay (Development and non-development), Public debt discharged and Loans and advances by State Government.

12.2. The total disbursement increased from Rs. 27.74 crores in 1957-58 to Rs. 153.18 crores in the year 1973-74 i.e. by 452 per cent. However, the relative share of capital outlay in the total disbursement decreased from 60.55 per cent in 1957-58 to 35.08 per cent in 1973-74. In absolute terms, there is an increasing trend in all the items which comprises capital disbursement during the period 1957-58 and 1973-74.

12.3. The average percentage composition of capital disbursement in Karnataka State is presented in Table No. VI.

TABLE No. VI

Items	II Plan <sup>1</sup> III Plan		Average over
	(1957-58 to 1960-61)	(1961-62 to 1965-66)	17 years from 1957-58 to 1973-74
1	2	3	4
<i>Capital Expenditure :</i>			
Development .. ..	59.67	51.95	43.74
Non-Development .. ..	3.57	0.78	(-)-10.07
Public debt discharged .. ..	15.58	22.94	31.85
Loans and advances by State Government ..	21.18	24.33	24.48
Total disbursement .. ..	100.00	100.00	100.00

12.4. Development expenditure as percentage of total disbursement moved down from 59.67 per cent in II Plan to 51.95 per cent in III Plan. During the course of 17 years this percentage has further come down to 43.74 per cent. Whereas the expenditure on Public debt discharged and loans and advances has increased steeply from 15.58 per cent and 21.18 per cent in II Plan to 22.94 per cent and 24.33 per cent in III Plan respectively. In the course of 17 years, it further increased to 31.85 per cent and 24.48 per cent respectively.

12.5. From the above, it is clear that a substantial portion of capital expenditure is channelised towards the repayment of public debt and loans and advances by State Government. It is also observed that there has been shift from development to non-development expenditure during the course of 17 years.

12.6. In general, it is seen that the growth of non-development expenditure is increasing at faster rate than the development expenditure. It has acquired a rate of growth of its own and the shift from non-development to development expenditure has been comparatively slow. It will continue to be rather slow. This is not a healthy trend desired from the development point of view. Hence, it appears necessary to take steps to check its growth and also to divert a major share of our resources for development purposes.

TABLE—1

**Composition of Total Disbursement (Revenue and Capital Account) in Karnataka**  
(Current Prices)

Item	(Rs. in lakhs)			
	1970-71 (Accounts)	1971-72 (Accounts)	1972-73 (R.E.)	1973-74 (B.E.)
1	2	3	4	5
Development Expenditure ..	(57.58) 21,567.31	(55.86) 22,463.10	(52.50) 25,473.00	(50.37) 27,758.39
Non-Development Expenditure	(23.82) 8,922.02	(23.21) 9,332.12	(27.08) 13,139.02	(31.59) 17,499.47
<b>Total Expenditure</b> ..	(81.40) 30,489.33	(79.07) 31,795.22	(79.58) 38,618.02	(81.96) 45,168.06
Public Debt discharged ..	(13.89) 5,202.36	(16.72) 6,723.79	(11.06) 5,362.00	(9.91) 5,463.00
Loans and Advances by State Government.	(4.71) 1,763.35	(4.21) 1,693.62	(9.36) 4,543.00	(8.13) 4,481.00
<b>Total disbursement</b>	(100.00) 37,455.04	(100.00) 40,212.63	(100.00) 48,517.02	(100.00) 55,112.05

TABLE—2

**Average percentage composition of total disbursement in Karnataka**

Items	Average over 17 years from 1957-58 1973-74	
<i>Expenditure both Revenue and Capital Accounts :</i>		
Development ..	..	59.93
Non-Development ..	..	22.03
Total	..	82.02
Public Debt discharged ..	..	9.60
Loans and Advances ..	..	8.38
<b>Total Disbursements</b> ..	..	100.00

TABLE—3

## Growth of Total Expenditure in the State (Current Prices)

(Rs. in lakhs)

Year	Revenue Accounts	Capital Accounts	Total Expenditure	Development Expenditure	Non-Develop- ment Expen- diture
1	2	3	4	5	6
1970-71	25,238.29	5,251.04	30,489.33	21,567.31	8,922.02
Accounts	(82.78)	(17.22)	(100.00)	(70.74)	(29.26)
1971-72	26,870.87	4,924.35	31,795.22	22,463.10	9,332.12
Accounts	(84.51)	(15.49)	(100.00)	(70.65)	(29.35)
1972-73	33,786.83	4,825.19	38,612.02	25,473.00	13,139.02
(R.E.)	(87.50)	(12.50)	(100.00)	(65.97)	(34.03)
1973-74	39,794.25	5,373.81	45,168.06	27,758.59	17,409.47
(B.E.)	(88.10)	(11.90)	(100.00)	(61.46)	(38.54)

Note.—Figures in bracket indicate percentages to the total expenditure.

TABLE—4

## Average percentage composition of the total Expenditure in Karnataka

	Average for 17 years
Revenue Expenditure .. ..	79.22
Capital Expenditure .. ..	20.78
Total Expenditure .. ..	100.00
Development Expenditure .. ..	72.97
Non-Development Expenditure .. ..	27.03

TABLE—5

*Per Capita Growth and Composition of Total Expenditure in Karnataka  
(Current Prices)*

(In Rs.)

Year	Revenue Expenditure	Capital Expenditure	Development Expenditure	Non-Develop- ment Ex- penditure	Total Expendi- ture	Total Disburse- ment
1	2	3	4	5	6	7
1970-71	90.05	18.74	76.95	31.83	108.78	133.64
Accounts.						
1971-72	91.71	16.81	76.67	31.85	108.52	137.26
Accounts.						
1972-73 (R.E.)	112.25	16.03	84.63	43.65	128.28	131.19
1973-74 (B.E.)	128.40	17.34	89.53	56.17	145.74	177.82
Average for 17 years.	60.30	14.30	46.91	21.49	74.60	92.45

TABLE—6

**Trends in Total Expenditure of State Classified as Plan and Non-Plan  
(Revenue and Capital Accounts).**

(Rs. in lakhs)

Year	Plan Expenditure			Non-Plan Expenditure			Total Expenditure
	Develop- ment	Non-De- velopment	Total	Develop- ment	Non-Deve- lopment	Total	
1	2	3	4	5	6	7	8
1970-71	6,911.13	103.04	7,044.17	14,626.18	8,868.93	23,445.16	30,489.33
Accounts			(23.10)			(6.90)	(100.00)
1971-72	5,893.43	130.29	6,023.72	16,569.67	9,201.83	25,771.50	31,795.22
Accounts			(18.95)			(81.05)	(100.00)
1972-73 (R.E.)	6,884.52	247.14	7,131.66	18,583.48	12,891.88	31,430.36	38,612.02
			(18.47)			(31.53)	(100.00)
1973-74 (B.E.)	8,026.25	182.67	8,208.92	19,732.34	17,223.80	36,959.14	45,168.06
			(18.17)			(81.83)	(100.00)

Note.—Figures in brackets represent percentages to total expenditure.

TABLE—7

**Magnitude of Central Assistance to the total Expenditure of the State  
(Current Prices)**

(Rs. in lakhs)

Year	Total Expenditure	Central Financial assistance	Percentage of Central
			Assistance to Total Expenditure
1970-71 (Acts.) ..	30,489.33	12,246.13	40.17
1971-72 (Acts.) ..	31,795.22	14,083.54	44.29
1972-73 (R.E.) ..	38,612.02	24,505.92	63.47
1973-74 (B.E.) ..	45,168.06	22,828.35	50.54
Total for 17 years	3,42,445.18	1,63,174.21	47.65

TABLE—9

**Growth of Development Expenditure (Current Prices)**

(Rs. in lakhs)

Year	Development Expenditure			Percentage to total Development Expenditure		
	Revenue	Capital	Total	Revenue Accounts	Capital Accounts	Total
	1970-71 Acts. ..	16,054.59	5,512.72	21,567.31	74.44	25.56
1971-72 Acts. ..	17,392.87	5,070.23	22,463.10	77.43	22.57	100.00
1972-73 (R.E.) ..	20,383.81	5,089.19	25,473.00	80.02	19.98	100.00
1973-74 (B.E.) ..	22,241.78	5,516.81	27,758.59	80.13	19.87	100.00
Total over 17 years.	1,77,980.86	64,394.04	2,42,374.90	73.43	26.57	100.00

TABLE—10

**Growth of Development Expenditure—Plan and Non-Plan  
(Revenue and Capital Accounts)**

(Rs. in lakhs)

Year	Development Expenditure (Rs. in lakhs)			Percentage to total develop- ment expenditure		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1970-71 Acts. ..	6,941.13	14,626.18	21,567.31	32.18	67.82	100.00
1971-72 Acts. ..	5,893.43	16,569.67	22,463.10	26.24	73.76	100.00
1972-73 (R.E.) ..	6,884.52	18,588.48	25,473.00	27.03	72.97	100.00
1973-74 (B.E.) ...	8,026.25	19,732.34	27,758.59	28.91	71.09	100.00
<b>Total for 13 years</b>	<b>73,403.58</b>	<b>1,41,672.83</b>	<b>2,15,076.41</b>	<b>34.13</b>	<b>65.87</b>	<b>100.00</b>



TABLE 11

Composition of Development Expenditure—(Revenue and Capital Account combined)

(Rs. in lakhs)

Sl. No.	Year	Total Development Expenditure	Agriculture and	Co-operation and	Multi-purpose	Educa-	Medical	C.D.P.		Indus-	Roads	Forests	Other residual
			Animal Husbandry	Rural develop-ment	river schemes, etc.	tion	works	N.E.S. & L.D.	P.W.D.	trial develop-ment	and water Trans- port		
1.	1970-71 Accounts	21567.31 (100.00)	1050.73 (4.98)	543.49 (2.52)	5987.09 (27.76)	5378.70 (24.94)	1688.26 (7.83)	308.28 (1.43)	2571.40 (11.92)	2359.12 (10.94)	..	754.03 (3.50)	926.21 (4.29)
2.	1971-72 Accounts	22463.10 (100.00)	1147.51 (5.11)	515.65 (2.30)	5598.75 (24.92)	5420.27 (24.13)	1770.52 (7.88)	459.98 (2.05)	3035.03 (13.51)	2586.39 (11.51)	..	806.95 (3.59)	1122.05 (5.00)
3.	1972-73 (B.E.)	25473.00 (100.00)	1480.29 (5.81)	773.72 (3.04)	5768.36 (22.64)	6147.91 (24.14)	2437.42 (9.57)	594.16 (2.33)	2891.48 (11.35)	2938.44 (11.54)	6.00 (0.02)	956.35 (3.75)	1478.87 (5.81)
4.	1972-74 (B.E.)	27758.59 (100.00)	1621.75 (5.85)	1004.68 (3.62)	5824.43 (20.98)	6749.4 (24.31)	2741.98 (9.88)	619.66 (2.23)	3404.15 (12.26)	2946.24 (10.61)	7.64 (0.03)	1071.65 (3.86)	1767.00 (6.37)

Note :- Figures in bracket indicate percentage to total development Expenditure.

TABLE—12

Average percentage composition of Development Expenditure in Sarnataka

Items	Average over 17 years from 1957-58 to 1973-74
1. Agriculture and Animal Husbandry .. ..	4.64
2. Co-operation and Rural Development Multipurpose river scheme.	1.68
3. Navigation and Electricity Schemes .. ..	25.03
4. Community Development .. ..	2.57
5. Public Works .. ..	14.67
6. Industrial Development .. ..	16.68
7. Road and Water Transport Scheme .. ..	0.74
8. Forest .. ..	3.80
9. Education .. ..	19.83
10. Medical .. ..	7.13
11. Others .. ..	3.33
12. Total Development .. ..	100.00
Social Service .. ..	26.96%
Economic .. ..	73.04%

TABLE 14

Composition of Expenditure met from Revenue

(Rs. in lakhs)

Items	1970-71 Accounts	1971-72 Accounts	1972-73 (R.E.)	1973-74 (B.E.)
<i>Development Expenditure—</i>				
<i>(Revenue Accounts)</i>				
Economic Development ..	8,243.85 (32.66)	19,451.40 (35.18)	10,340.58 (30.60)	11,685.79 (29.36)
Social Service ..	7,810.74 (30.95)	7,941.47 (29.65)	10,043.23 (29.73)	10,555.99 (26.63)
Total Development Expenditure	16,054.59 (63.61)	17,392.87 (64.73)	20,383.81 (60.33)	22,241.78 (55.89)
Total Non-Development Expenditure ..	9,183.70 (36.39)	9,478.00 (35.27)	13,403.02 (39.67)	17,552.47 (44.11)
Total Expenditure met from Revenue	25,238.29 (100.00)	26,870.87 (100.00)	33,786.83 (100.00)	39,794.25 (100.00)

TABLE 15

Average percentage composition of expenditure met from Revenue

Items	Average over (17 years) 1957-58 to 1973-74
<i>Development Expenditure—</i>	
Economic Development .. .. .	39.84
Social Services .. .. .	26.54
Total Expenditure .. .. .	66.38
Total* Non-Development Expenditure .. .. .	33.62
Total Expenditure met from Revenue .. .. .	100.00

TABLE 16

Growth of expenditure of Economic Development and Social Services

(Rs. in lakhs)

Year	Total Expenditure on Economic Development Social Services	Expenditure		Percentage to the total Expenditure		
		Economic Development	Social Services	Econo- mic Develop- ment	Social service	Total
1970-71:Accounts	16,054.59	8,243.85	7,810.74	51.35	48.65	100.00
1971-72:Accounts	17,392.87	9,451.40	7,941.47	54.34	45.66	100.00
1972-73 (R.E.)	20,383.81	10,340.58	10,043.23	50.73	49.27	100.00
1973-74 (B.E.)	22,241.78	11,685.79	10,555.99	52.54	47.46	100.00
Total for 17 years	1,77,780.55	1,01,203.65	76,576.90	56.93	43.07	100.00

TABLE—17

Average percentage composition of Expenditure on Economic Development and Social Service (met from Revenue Accounts) in Karnataka

Sl. No.	Item	Average for 17 years from 1957-58 to 1973-74
<i>I. Economic Development—</i>		
1.	Agriculture and Animal Husbandry .. .. .	6.68
2.	Co-operative and Rural Development .. .. .	2.88
3.	Multipurpose River Schemes, Irrigation and Electricity Schemes.	9.71
4.	Public Works .. .. .	11.49
5.	C.D.P., N.E.S., & L.D. Works .. .. .	3.41
6.	Forests .. .. .	5.37
7.	Industries .. .. .	14.00
8.	Road and Water transport scheme .. .. .	0.64
9.	Others .. .. .	0.32
<i>II. Social Service—</i>		
1.	Education .. .. .	30.48
2.	Medical and Public Health and Family Planning .. .. .	10.28
3.	Labour and Employment .. .. .	0.75
4.	Social Welfare and Other Development Organisation .. .. .	4.09
Total Expenditure in Economic Development and Social Services.		100.00

TABLE 18

## Composition of Capital Disbursement

Item	(Rs. in lakhs)			
	1970-71 Accounts	1971-72 Accounts	1972-73 (R.E.)	1973-74 (B.E.)
1. Capital outlay (Development and Non-development outlay).	5,251.04 (42.98)	4,924.35 (36.91)	4,825.19 (32.76)	5,373.81 (35.08)
2. Public Debt Disbursed	5,202.36 (42.58)	6,723.79 (50.40)	5,362.00 (36.40)	5,463.00 (35.66)
3. Loans and advances by State Government.	1,763.35 (14.44)	1,693.62 (12.69)	4,543.00 (30.84)	4,481.00 (29.26)
4. Total Capital disbursement	12,216.75 (100.00)	13,341.76 (100.00)	14,730.19 (100.00)	15,317.81 (100.00)

Note:—Figures in bracket indicate percentage to the total capital disbursement.